



HUA XIA BANK CO., LIMITED
Annual Report 2015



Chairman of the Board: Wu Jian



President: Fan Dazhi



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IMPORTANT NOTICE

i. The Board of Directors, the Board of Supervisors, Directors, Supervisors and Senior Management members of Hua Xia Bank Co., Limited (the “Company”) undertake that the information in this report contains no false record, misleading statement or material omission, and assume joint and several liabilities to the authenticity, accuracy and completeness of the information in this report.

ii. The *Annual Report 2015 of Hua Xia Bank Co., Limited* and its Summary were reviewed and approved at the 17th Meeting of the Seventh Board of Directors of the Company on 15 April 2016. All of the 16 Directors that should attend the meeting were present actually. Three Supervisors of the Company attended the meeting as non-voting delegates.

iii. Profit distribution plan for the reporting period that was reviewed by the Board of Directors:

With 10,685,572,211 shares outstanding of the Company at the end of 2015 as the base number, cash dividends will be distributed to all of the shareholders at RMB3.63 (before tax) per 10 shares.

For details, please refer to “Section V Significant Events”.

iv. The 2014 financial statements of the Company have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP in accordance with Chinese auditing standards, with standard unqualified auditor’s report being issued.

v. Wu Jian, Chairman of the Board of Directors of the Company, Fan Dazhi, President of the Company, Guan Wenjie, Principal of Financial Affairs of the Company, and Fu Shengfeng, Person-in-charge of the Accounting Department of the Company, hereby warrant that the financial statements contained in the Annual Report are authentic and complete.

vi. Expressions related to the future business plan herein may constitute forward-looking statements, but they are not the Company’s actual commitment to investors. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision, but should be fully aware of the risks and properly understand the differences between plan, forecast and commitment.

vii. Important risk notice: The Company has described the risks that may adversely affect the fulfillment of the Company’s future development strategies and business objectives. Please refer to risk-related part in “Section IV Management Discussion and Analysis”.

Should there be any discrepancy between the English version and the Chinese version, the latter shall prevail.

SECTION I DEFINITIONS

In this Annual Report, unless the context otherwise requires, the following terms shall have the meanings set out below:

the Group	Hua Xia Bank Co., Limited and its subsidiaries
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The Company, the Bank, Hua Xia Bank	Hua Xia Bank Co., Limited
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CBRC	China Banking Regulatory Commission
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CSRC	China Securities Regulatory Commission
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MOF	Ministry of Finance of the People's Republic of China
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Yuan	RMB
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SECTION II COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

- I. Legal name in Chinese: 华夏银行股份有限公司
Chinese abbreviation: 华夏银行
Legal name in English: HUA XIA BANK CO., Limited
- II. Legal Representative: Wu Jian
- III. Secretary to the Board of Directors: Zhao Junxue
Securities affairs representative: Zhang Taiqi
Address: Hua Xia Bank Mansion, 22 Jianguomennei Street, Dongcheng District, Beijing
Postal code: 100005
Tel: 010-85238570, 85239938
Fax: 010-85239605
Email: zhdb@hxb.com.cn
- IV. Registered address: 22 Jianguomennei Street, Dongcheng District, Beijing
Business address: Hua Xia Bank Mansion, 22 Jianguomennei Street, Dongcheng District, Beijing
Postal code: 100005
Website: <http://www.hxb.com.cn>, <http://www.95577.com.cn>
Email: zhdb@hxb.com.cn
- V. Newspaper designated for disclosure of information: China Securities Journal, Shanghai Securities News and Securities Times
Website designated by CSRC for publication of the annual report: <http://www.sse.com.cn>
Location where copies of this annual report are kept: Office of the Board of Directors of the Company
- VI. Place where stock is listed: Shanghai Stock Exchange
Stock name: Hua Xia Bank
Stock code: 600015
- VII. Other relevant information:
Name of depositary of shares of the Company: Shanghai Branch of China Securities Depository and Clearing Co., Ltd.
Name of accounting firm the Company engaged: Deloitte Touche Tohmatsu Certified Public Accountants LLP
Business address: 30/F Bund Center, 222 Yan An Road East, Shanghai, China
Signed CPAs: Lv Jing & Liu Xin

VIII. MAJOR PROFIT INDICATORS OF THE YEAR

(Unit: RMB1 million)

Item	2015
Gross profit	25,205
Net profit attributable to equity holders of the listed company	18,883
Net profit attributable to equity holders of the listed company after deduction of extraordinary profit and loss	18,692
Operating profit	24,934
Return on investment	122
Net non-operating income and expenditure	271
Net cash flows from operating activities	1,606
Net increase in cash and cash equivalents	110,740

Extraordinary Profit and Loss Items and Amounts

(Unit: RMB1 million)

Extraordinary profit and loss item	2015	2014	2013
(Profit)/loss from the disposal of fixed assets	32	-8	-5
Other net non-operating income and expenditure	239	120	50
Total extraordinary profit and loss	271	112	45
Less: Income tax influence of extraordinary profit and loss	76	38	15
Extraordinary profit and loss, net	195	74	30
Less: Influence of extraordinary profit and loss attributable to minority shareholders of the Company, net (after-tax)	4	5	1
Extraordinary profit and loss attributable to ordinary shareholders of the Company	191	69	29

Note: The extraordinary profit and loss are identified and calculated in accordance with the *Explanatory Notice on Information Disclosure by Companies that Offer Securities to the Public No.1 – Extraordinary Profit and Loss (2008)*.

IX. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS IN THE PAST THREE YEARS

i. Main accounting data

(Unit: RMB1 million)

Main accounting data	2015	2014	Change compared with last year (%)	2013
Operating income	58,844	54,885	7.21	45,219
Operating profit	24,934	23,891	4.37	20,660
Gross profit	25,205	24,003	5.01	20,705
Net profit attributable to equity holders of the listed company	18,883	17,981	5.02	15,506
Net profit attributable to equity holders of the listed company after deduction of extraordinary profit and loss	18,692	17,912	4.35	15,477
Net cash flows from operating activities	1,606	12,882	-87.53	251,145
	End of 2015	End of 2014	Change compared with last year (%)	End of 2013
Total assets	2,020,604	1,851,628	9.13	1,672,447
Total Liabilities	1,902,216	1,749,529	8.73	1,586,428
Owner's equity attributable to equity holders of the listed company	117,678	101,458	15.99	85,420
Total share capital	10,686	8,905	20.00	8,905

ii. Major financial indicators

Major financial indicator	2015	2014	Change compared with last year (%)	2013
Basic earnings per share (in RMB)	1.77	1.68	5.36	1.45
Diluted earnings per share (in RMB)	1.77	1.68	5.36	1.45
Basic earnings per share after deduction of extraordinary profit and loss (in RMB)	1.75	1.68	4.17	1.45
Weighted average return on equity (%)	17.18	19.31	Down 2.13 percentage points	19.30
Weighted average return on net assets after deduction of extraordinary profit and loss (%)	17.01	19.24	Down 2.23 percentage points	19.27
Net cash flow per share from operating activities (in RMB)	0.15	1.21	-87.60	23.50
	End of 2015	End of 2014	Change compared with last year (%)	End of 2013
Net assets per share attributable to equity holders of the listed company (in RMB)	11.01	9.49	16.02	7.99
Liability/asset ratio (%)	94.14	94.49	Down 0.35 percentage points	94.86

Supplementary financial ratios

Item	2015	2014	2013
Net interest spread (%)	2.40	2.52	2.50
Net interest margin (%)	2.56	2.69	2.67

Notes:

1. Relevant indicators are calculated according to the *Explanatory Notice on Information Disclosure by Companies that Offer Securities to the Public No.1 – Extraordinary Profit and Loss (2008)*, the *Standards Concerning the Contents and Formats of Information Disclosure by Companies that Offer Securities to the Public No. 2 – Contents and Formats of Annual Reports (Revision 2015)*, and the *Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No.9 – Computation and Disclosure of Return on Net Assets and Earnings per Share (Revision 2010)*.

2. According to the *Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No.9 – Computation and Disclosure of Return on Net Assets and Earnings per Share (Revision 2010)*, net assets per share attributable to equity holders of the listed company, earnings per share and net cash flow per share from operating activities during each comparable period were recalculated on the basis of adjusted shares as the Company's capital reserve was transferred to share capital during the reporting period.

3. Liability/asset ratio=total liabilities/total assets.

4. Net interest spread is the spread between yield on average balance of interest-generating assets and cost on average balance of interest-bearing liabilities.

5. Net interest margin is calculated by dividing net interest income by the average balance of interest-generating assets.

X. MAJOR FINANCIAL INDICATORS OF EACH QUARTER

(Unit: RMB1 million)

Item	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Operating income	12,876	15,452	14,844	15,672
Net profit attributable to equity holders of the listed company	4,136	5,127	4,649	4,971
Net profit attributable to equity holders of the listed company after deduction of extraordinary profit and loss	4,128	5,115	4,634	4,815
Net cash flows from operating activities	-26,203	9,813	92,623	-74,627

XI. SCHEDULE TO THE INCOME STATEMENT

Profit of the reporting period	Weighted average return on equity (%)	Earnings per share (in RMB)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	17.18	1.77	1.77
Net profit attributable to ordinary shareholders of the Company after deducting extraordinary profit and loss	17.01	1.75	1.75

Note: Calculated according to the *Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No.9 – Computation and Disclosure of Return on Net Assets and Earnings per Share (Revision 2010)*.

XII. CHANGES IN SHAREHOLDERS' EQUITY DURING THE REPORTING PERIOD

(Unit: RMB1 million)

Item	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained profit	Minority shareholders' equity	Total shareholders' equity
At the beginning of the period	8,905	30,543	81	6,134	17,100	38,695	641	102,099
Increase during the period	1,781	-	1,211	1,779	4,351	18,883	69	28,074
Decrease during the period	-	1,781	-	-	-	10,004	-	11,785
At the end of the period	10,686	28,762	1,292	7,913	21,451	47,574	710	118,388

Reasons for changes in shareholders' equity:

1. According to the plan on profit distribution and conversion of capital reserve to share capital for 2014, the Company set aside statutory surplus reserve of RMB1,779 million and general reserve of RMB4,351 million, distributed cash dividends at RMB4.35 (before tax) every ten shares to all the shareholders (totaling RMB3,874 million) and increased registered capital by RMB1,781 million through converting capital reserve at transferring to 2 shares every ten shares. As a result, "share capital", surplus reserve" and "general reserve" increased, while "capital reserve" and "retained profit" decreased.

2. "Other comprehensive income" increased due to the effect (after tax) of changes in fair value of available-for-sale financial assets on owner's equity.

3. The increase of "retained profit" is due to a higher net profit during the reporting period.

4. The increase of "minority shareholders' equity" is due to net profit earned by the Group's non-wholly-controlled subsidiary during the reporting period.

XIII. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

(Unit: RMB1 million)

Item	Balance at the beginning of the period	Balance at the end of the period	Change during the period	Effect on profit of the period
Financial assets designated at fair value through profit or loss	9,066	11,872	2,806	112
Available-for-sale financial assets	63,366	73,118	9,752	-
Derivative financial instruments	69	22	-47	-47
Total	72,501	85,012	12,511	65

SECTION III BUSINESS OVERVIEW

I. MAIN BUSINESSES, BUSINESS MODEL AND INDUSTRIES OF THE COMPANY DURING THE REPORTING PERIOD

i. Main businesses, major products and their usage, business model and key performance drivers

As at the end of the reporting period, the main business scope of the Company covers: public deposit-taking, granting of short, medium and long-term loans; domestic and international settlement, bill acceptance and discount, issuance of financial bonds, issuance, encashment and underwriting of government bonds as an agent, trading of government bonds and financial bonds, inter-bank lending and borrowing, trading of foreign exchange on its own behalf and as an agent, bank card service, provision of letter of credit and letter of guarantee, collection and payment service as an agent, safe deposit box service, foreign exchange settlement and sale, sideline insurance agency and other services approved by China Banking Regulatory Commission (“CBRC”).

With a focus on enhancing cash management and financing service capabilities, the Company provides comprehensive financial services including deposit, financing and international banking to corporate customers. In 2015, it made debut the “Cash Management Toolkit” brand by integrating 12 kinds of cash management products with comparative advantages, e.g. account management, collection and payment, fund sweep and value-added, in order to help customers realize centralized management and efficient operation of money. The Company optimized the loans subject to “annual examination” and effectively alleviated the funding pressure of micro and small enterprise customers.

The Company purveyed individualized, diversified and network-based financial services to individuals and also developed mass wealth management, elderly finance, community finance and going-abroad finance brands. The Company tailor-made specific products for different groups and embedded sales of financial products into the customers’ life scenarios to improve customer experience. For instance, it issued Hua Xia ETC cards characterized by low-carbon and environmental protection, time-saving and efficiency, safety and convenience and toll discount to car owners; it issued the Beijing-Tianjin-Hebei Coordination cards in Beijing, Tianjin and Hebei and the card holders could receive localized personal banking services in the three places; and it issued the Splendid Life cards to the elderly and granted them many preferential services and the priority to handle businesses.

According to the overall development strategy of the “second bank”, the Company made greater efforts to build the “intelligent e-banking” product system, aimed at providing customers with a full package of convenient and fast financial services including Internet banking, mobile banking, direct banking, WeChat banking, intelligent customer service and e-commerce payment.

In 2015, in line with the direction of strategic planning, the Company highlighted adjustment of business structure, cost decreasing and benefit increasing in work in order to improve profitability. Key performance drivers: scaling-up of businesses, effective control of interest margin, diversified income channels, cost control and asset quality management.

ii. Industry's development stage, cyclical characteristics and the Company's position in the industry

With China's entry into the new normal, the slowdown in economic growth, making difficult structural adjustments, and absorbing the effects of previous economic stimulus policies, as well as the structural reform on the supply side and the economic transformation and upgrading will cause profound changes in the banking industry. Commercial banks are bidding farewell to an era characterized with high growth, high interest margin and high profit. Currently, the banking industry shows the following main characteristics: general deceleration of asset growth rate, increasingly bigger pressure on asset quality, continuous slowdown of profit growth rate, horizontal competition among banks and cross-border competition from non-bank financial institutions, stricter financial supervision and management and more pressing task on business transformation.

Amid the fierce competition with large commercial banks, joint-stock commercial banks, city commercial banks, private banks and Internet finance, Hua Xia Bank, as a medium-sized joint-stock commercial bank, has managed to secure a stable market share by adopting a differentiated and characteristic business strategy.

II. MATERIAL CHANGES IN PRIME ASSETS OF THE COMPANY DURING THE REPORTING PERIOD

The Company's prime assets include loans and advances granted, financial assets under reverse repurchase agreements, held-to-maturity investments, receivable investments, available-for-sale financial assets, due from banks, placements with banks and other financial institutions and financial assets designated at fair value through profit or loss. At the end of the reporting period, the balance of placements with banks and other financial institutions increased by RMB11,864 million or 62.09% compared with the year beginning to RMB30,972 million, the balance of financial assets designated at fair value through profit or loss grew by RMB2,806 million or 30.95% compared with the year beginning to RMB11,872 million, the balance of financial assets under reverse repurchase agreements rose by RMB122,161 million or 99.21% compared with the year beginning to RMB245,297 million. The big change in the above assets is mainly because the Company properly increased inter-bank asset allocation and improved asset utilization efficiency based on the situation of the market and own assets.

III. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

i. Clear development strategy. At the strategic positioning of "SME financial service provider", the Company has preliminarily established a bank-wide micro and small-enterprise financial service system characterized by "specialized operation, process management, individual assessment and three-dimensional marketing" in accordance with the CBRC requirements of "six mechanisms" and "four principles". The Company continued to improve the pilot of marketing mechanism construction. Being customer demand-oriented, the Company launched innovation in financing for micro and small enterprises and introduced the loan subject to "annual examination" as the first one in the banking industry to cut down financing cost. Actively echoing the national "Internet plus" scheme, the Company further took the action of "Internet plus platform finance", which connected the independently-developed payment & financing system with enterprises' ERP and transaction platform systems online and provided one-stop and electronic universal financial services, to gradually sharpen the advantages of SME financial service.

ii. Sound brand building. Under the unified arrangement of developing “Hua Xia Service” brand, the Company released a series of regulations on normalizing service management and set down indicators like service quality evaluation and fair treatment of consumers by adhering to the core value concepts of corporate culture, i.e. “honesty, standard, efficient and aggressive”. Besides, the Company expanded the service channels, set up new outlets, improved the service process, strengthened construction of intelligent bank and valued customer experience. The Company also actively carried out financial consumer protection work, emphasized education of the public and improved the customer compliant mechanism.

iii. Strong regional competitiveness. Under the guidance of China’s Beijing-Tianjin-Hebei coordinated development strategy, the Company rolled out eight measures on provision of financial services to facilitate this strategy. It extended bigger support to ecological environmental management and infrastructure interconnectedness of Beijing, Tianjin and Hebei, offered proper financial services to back industrial transfer, sponsored the “Blue Water & Sky” industrial investment fund, deepened cooperation with the World Bank, etc. in green credit projects, introduced ETC and Beijing-Tianjin-Hebei “Local Express” brand and overridingly established institutions in this region.

iv. Flexible and efficient online banking service. The Company has proposed the requirement of building e-banking into the “second bank”. As such, it brought the facilitating role of online channels to customer service and marketing organization into full play and made greater efforts to establish four service platforms “e-banking, direct banking, financial asset trading and micro-and-small enterprises”, thus seeing a wider customer base. In terms of product innovation, the Company deepened customer experience mechanism, enabled product design and channel construction to be more aligned with customer demands and strengthened the promotion and application of new products and new business formats under “Internet plus”. Concerning science and technology support, the Company accelerated a series of important projects including e-commerce transformation of online banking, intelligent development of mobile banking and construction of ecosphere for car owners, gradually optimized the functions of online banking and mobile banking and continued to upgrade the “Hua Xia Dragon Network” brand.

SECTION IV MANAGEMENT DISCUSSION AND ANALYSIS

I. MANAGEMENT DISCUSSION AND ANALYSIS

During the reporting period, the Company actively accommodated to the new normal of economic development, earnestly implemented development plan, and adhered to steady progress. It focused on the improvement of development quality and efficiency, pushed forward reform, innovation and business transformation, ensured the smooth growth of assets, business and profitability, and achieved regulated, safe and stable operation.

i. Steady expansion of asset scale

At the end of the reporting period, the Group's total assets reached RMB2,020,604 million, an increase of RMB168,976 million or 9.13% over the beginning of the year; total loans increased by RMB129,183 million or 13.74% to RMB1,069,172 million; total deposits increased by RMB48,447 million or 3.72% to RMB1,351,663 million.

ii. Stable business performance

During the reporting period, net profit attributable to equity holders of the listed company stood at RMB18,883 million, an increase of RMB902 million or 5.02% compared with the previous year. Fee-based business income increased by RMB4,726 million or 53.04% to RMB13,637 million, 45.83 percentage points higher than the growth rate of operating income. Return on assets (ROA), return on equity (ROE) and non-performing loan (NPL) ratio were 0.98%, 17.18% and 1.52% respectively, indicating smooth business operation.

iii. Accelerated transformation of business structure

First, the Company accelerated the development of such emerging businesses as asset management, credit card, e-banking and financial market business, and increased the proportion of fee-based business income by 6.93 percentage points to 23.17%. Second, the Company adhered to cost reduction and efficiency improvement, strengthened comprehensive budget and cost control, implemented standardized expense management, and promoted "simple office, green office". Cost-to-income ratio decreased by 2.56 percentage points year on year to 35.01%. Third, customer structure further improved, and total number of customers increased quickly, with a rise of 11.94% in the number of corporate customers and 21.44% in that of personal customers. Customer base was constantly solidified. Fourth, the Company adjusted business structure in the course of serving the real economy, and met the regulatory requirements on "no less than three thresholds" for small and micro enterprise loans.

iv. Enhanced product innovation and promotion

First, the Company has preliminarily established the features of supply chain finance and platform finance, effectively driving customer development and deposit-taking. Second, following the orientation of customer demand, the Company reinforced and improved service functions and product mix. Its products such as Elite Loan and Revolving E-loan have been recognized by customers, and services have been expanded intensively and extensively. Third, more than 1.75 million ETC cards were issued, further expanding business scale. Fourth, the Company strengthened the research and development of applicable products, and launched such innovative products as cross-border two-way RMB fund pooling, financing products relating to the scenic spot entrance fee collection right and smart savings.

v. Quickening of channel construction

First, Yinchuan and Haikou branches were smoothly opened, Hong Kong Representative Office was successfully established, and branches and outlets in the pilot free trade zones in Shanghai, Tianjin and Xiamen were set up. In 2015, the Company established 159 outlets, increasing the total number of outlets to 789. Second, the Company strengthened the building of self-service channels and improved financial services for the elderly and communities. Third, the Company accelerated the construction of the “second bank”, first launched watch banking, “WeChat Banking Lobby” marketing mode and “Moments” remittance services, improved the functions of “Mobile Banking 3.0”, “Multi-channel Intelligent Response” and “Online Exchange Trading”, and actively entered into a strategic partnership with Shenzhen Qianhai WeBank Co., Ltd. (“WeBank”) and Ant Financial Service Group (“Ant Financial”), to enrich and improve smart e-banking services.

vi. Serving the coordinated development of Beijing, Tianjin and Hebei

First, the Company increased fund support for the control of ecological environment of Beijing, Tianjin and Hebei, interconnection of infrastructure, industrial transfer and other areas, and provided credits of nearly RMB20 billion for key projects. Second, the Company set up a RMB10 billion worth of Blue Water & Sky Industrial Development Fund, and strengthened cooperation with international financial organizations, including the World Bank, on green credit projects to support the energy saving and air pollution prevention projects. Third, to meet the financial interconnection needs of Beijing, Tianjin and Hebei, the Company accumulatively issued 550,000 Beijing-Tianjin-Hebei coordinated development cards in 2015, an increase of 450,000 over the year beginning. Fourth, the Company actively performed social responsibilities, carried out the “Hua Xia Star” charity campaigns with the theme of Beijing-Tianjin-Hebei coordinated development, and contributed to the “Hua Xia Star” Library in Huai’an County, Hebei.

vii. Intensified comprehensive risk prevention and control

First, the Company strengthened credit risk management, enhanced the business development capability under the guidance of policies, increased input in green credits, infrastructure construction and projects vital to the people’s livelihood, further regulated credit approval and reinforced recovery and disposal of troubled loans. Second, it bettered liquidity risk management, specified management dimensions, and strengthened market volatility analysis and judgment and response initiative. Third, it improved market and operational risk system and risk prevention mechanism. Fourth, it developed smart operation maintenance system, passed the ISO20000 international standard certification, increasingly standardized its operation maintenance management system and enhanced IT risk prevention ability. Fifth, it regularly carried out reputational risk investigation, strengthened the management of integrity and probity of employees, and properly organized case prevention, security, stability and emergency work to ensure safe and smooth business operation.

II. BUSINESS HIGHLIGHTS

i. Analysis of principal operation

During the reporting period, the Group recorded an operating income of RMB58,844 million and an operating profit of RMB24,934 million, a year-on-year increase of 7.21% and 4.37% respectively, mainly because business size expanded steadily, business structure continued to improve and cost management was carried out strictly.

1. Analysis of major indicators

(Unit: RMB1 million)

Item	2015	2014	Change (%)
Operating income	58,844	54,885	7.21
Operating profit	24,934	23,891	4.37
Net profit attributable to equity holders of the listed company	18,883	17,981	5.02
Net increase in cash and cash equivalents	110,740	3,881	2,753.39

2. Breakdowns by geographical area

(Unit: RMB1 million)

Geographical area	Operating income	Change compared with previous year (%)	Operating profit	Change compared with previous year (%)
Northern China and Northeastern China	24,906	11.55	12,843	11.95
Eastern China	13,910	6.22	4,208	4.03
Central China and Southern China	11,644	1.92	4,020	-8.41
Western China	8,386	4.34	3,863	-3.06
Offset among segments	-2	-	-	-
Total	58,844	7.21	24,934	4.37

3. Changes in operating income

(Unit: RMB1 million)

Business category	2015	Percentage (%)	2014	Increase/ decrease compared with previous year (%)
Interest income from loans and advances	60,612	57.64	58,272	4.02
Interest income from investment receivables	9,791	9.31	15,626	-37.34
Interest income from held-to-maturity investments	6,220	5.92	5,303	17.29
Interest income from financial assets held under resale agreements	4,989	4.74	5,243	-4.84
Interest income on due from central banks	3,663	3.48	3,785	-3.22
Interest income from available-for-sale financial assets	3,173	3.02	3,007	5.52
Interest income from deposits in other financial institutions	1,627	1.55	2,024	-19.61
Interest income from placements with banks and other financial institutions	787	0.75	706	11.47
Interest income of financial assets designated at fair value through profit or loss	462	0.44	396	16.67
Fee income	13,435	12.78	8,681	54.76
Others	389	0.37	992	-60.79
Total	105,148	100.00	104,035	1.07

4. Explanations on reasons for major changes in profit composition, principal operation and structure, profitability of principal operation from the previous reporting period

Not applicable.

5. Analysis on cash flows of the Company

As at the end of the reporting period, the Group's cash and cash equivalents increased by RMB110,740 million (net), RMB106,859 million or 2753.39% higher than the last year-end. Among them, net cash inflow from operating activities was RMB1,606 million, which was mainly attributed to the continuous strengthening of liquidity risk management and the balanced and sound operation of asset and liability services; net cash inflow from investing activities amounted to RMB71,364 million, mainly a result of cash withdrawals from mature investments; net cash inflow from financing activities scored RMB37,409 million mainly because of the increase of issued interbank negotiable certificates of deposit over a year earlier.

ii. Explanation on material changes in profit due to non-principal operation

Not applicable.

iii. Analysis of changes in financial indicators

1. Changes in major financial indicators and the reasons

(Unit: RMB1 million)

Major financial indicator	At the end of the reporting period	Increase/decrease compared with the end of previous year (%)	Main reason
Total assets	2,020,604	9.13	Asset-based business, such as loans, increased
Total liabilities	1,902,216	8.73	Liability-based business, such as deposits, increased
Owner's equity attributable to equity holders of the listed company	117,678	15.99	Net profit increased
Major financial indicator	Reporting period	Increase/decrease compared with previous year (%)	Main reason
Operating income	58,844	7.21	Business size expanded and income grew
Operating profit	24,934	4.37	Business size expanded and profitability improved
Net profit attributable to equity holders of the listed company	18,883	5.02	Business size expanded and profitability improved
Net increase in cash and cash equivalents	110,740	2,753.39	Net increase in cash and cash equivalents grew

2. Items with over 30% changes in the comparative accounting statements

(Unit: RMB1 million)

Major accounting item	At the end of the reporting period	Increase/decrease compared with the end of previous year (%)	Main reason
Placements with banks and other financial institutions	30,972	62.09	Due from banks and other financial institutions increased
Financial assets designated at fair value through profit or loss	11,872	30.95	Held-for-trading financial assets increased
Derivative financial assets	191	-69.44	Derivative financial assets decreased
Financial assets held under resale agreements	245,297	99.21	Bonds held under resale agreements increased
Held-to-maturity investments	194,543	42.76	Held-to-maturity investments increased
Investment receivables	77,460	-61.49	Investment receivables decreased
Due to central banks	30,027	49.70	Medium-term lending facility increased
Placements from banks and other financial institutions	64,141	50.43	Placements from banks and other financial institutions increased
Derivative financial liabilities	169	-69.60	Derivative financial liabilities decreased
Repurchase agreements	80,491	100.22	Repurchase agreements increased
Debt obligations payable	66,893	180.60	Interbank negotiable certificates of deposit were issued
Other liabilities	11,043	75.20	Other liabilities increased
Other comprehensive income	1,292	1495.06	Fair value of available-for-sale financial assets changed

Major accounting item	Reporting period	Increase/decrease compared with previous year (%)	Main reason
Fee and commission income	13,435	54.76	Fee and commission income increased
Gain/(Loss) on investments	122	-78.97	Gain on investments decreased
Gain/(Loss) on the changes in fair value	65	-64.29	Fair value changed
Exchange gain	128	-38.46	Exchange gain decreased
Other business income	74	236.36	Other business income increased
Asset impairment loss	8,979	43.07	Asset impairment loss increased
Other business cost	19	-91.00	Other business cost decreased
Non-operating income	331	92.44	Non-operating income increased
Minority shareholders' gain/loss	69	64.29	Minority shareholders' gain/loss increased

iv. Analysis of major income statement items

1. Interest income

(Unit: RMB1 million)

Item	2015		2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate loans and advances	50,273	55.05	48,607	51.51
Personal loans and advances	10,035	10.99	9,342	9.90
Discounted bills	304	0.33	323	0.34
Investment receivables	9,791	10.72	15,626	16.56
Held-to-maturity investments	6,220	6.81	5,303	5.62
Financial assets held under resale agreements	4,989	5.46	5,243	5.55
Balances with central banks	3,663	4.01	3,785	4.01
Available-for-sale financial assets	3,173	3.48	3,007	3.19
Due from banks and other financial institutions	1,627	1.78	2,024	2.15
Placements with banks and other financial institutions	787	0.86	706	0.75
Financial assets designated at fair value through profit or loss	462	0.51	396	0.42
Total	91,324	100.00	94,362	100.00

2. Interest expense

(Unit: RMB1 million)

Item	2015		2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Deposits taken	29,574	65.37	27,904	57.99
Due to banks and other financial institutions	10,415	23.02	16,228	33.72
Placements from banks and other financial institutions	1,601	3.54	1,881	3.91
Repurchase agreements	1,131	2.50	1,197	2.49
Debt obligations payable	1,596	3.53	767	1.59
Other	924	2.04	144	0.30
Total	45,241	100.00	48,121	100.00

3. Fee and commission income

(Unit: RMB1 million)

Item	2015		2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Wealth management service	5,431	40.42	2,299	26.48
Bank card service	3,097	23.05	1,897	21.85
Agency business	1,657	12.33	1,634	18.82
Credit commitments	1,621	12.07	1,360	15.67
Custody and other fiduciary services	1,042	7.76	972	11.20
Leasing service	303	2.26	279	3.22
Settlement and clearing business	39	0.29	41	0.47
Consulting service	8	0.06	35	0.40
Others	237	1.76	164	1.89
Total	13,435	100.00	8,681	100.00

4. Operation and administrative expenses

(Unit: RMB1 million)

Item	2015		2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Staff remuneration and welfare	12,496	60.66	11,030	53.49
Business expenses	5,277	25.61	7,115	34.50
Depreciation and amortization	2,828	13.73	2,477	12.01
Total	20,601	100.00	20,622	100.00

5. Income tax expenses

(Unit: RMB1 million)

Item	2015	2014
Pre-tax profit	25,205	24,003
Income tax at statutory tax rate of 25%	6,300	6,001
Adjustment of current-period income tax during previous years	-1	-
Plus: Tax effect of non-deductable expense	741	882
Less: Tax effect of tax-exempt income	787	903
Total	6,253	5,980

v. Analysis of assets

1. Loan extensions

(1) Loan extensions by industry

(Unit: RMB1 million)

Industry	At the end of the year		At the beginning of the year	
	Book balance	Percentage (%)	Book balance	Percentage (%)
Manufacturing	213,414	19.96	212,005	22.55
Wholesale and retail	147,267	13.77	138,005	14.68
Leasing and commercial services	110,083	10.30	89,815	9.56
Construction	84,291	7.88	73,448	7.81
Real estate	78,867	7.38	76,170	8.10
Transportation, storage and postal services	50,704	4.74	49,794	5.30
Water conservancy, environment and public facility management industry	42,344	3.96	25,390	2.70
Mining	31,930	2.99	28,441	3.04
Production and supply of electric power, heat, gas and water	25,366	2.37	22,966	2.44
Other corporate industries	52,523	4.92	40,832	4.34
Discounted bills	31,478	2.94	8,383	0.89
Personal loans	200,905	18.79	174,740	18.59
Total	1,069,172	100.00	939,989	100.00

During the reporting period, the Group earnestly implemented the country's macro-control policy and regulators' policy requirements, strengthened the management of risks arising from key areas and industries, actively promoted and channeled more credit resources to infrastructure construction, people's livelihood projects, green credit as well as key industries and good-quality customers, and continued to adjust and control the loan proportion of overcapacity industries, real estate, bulk commodity trade and other high-risk industries vulnerable to the macro-control. The Group promoted the balanced growth and healthy development of industrial credit structure.

(2) Loan extensions by geographical area

(Unit: RMB1 million)

Geographical area	At the end of the year		At the beginning of the year	
	Book balance	Percentage (%)	Book balance	Percentage (%)
Northern and Northeastern China	391,413	36.61	333,331	35.46
Eastern China	300,165	28.07	269,904	28.71
Southern and Central China	225,674	21.11	203,794	21.68
Western China	151,920	14.21	132,960	14.15
Total	1,069,172	100.00	939,989	100.00

(3) Particulars of top 10 borrowers

(Unit: RMB1 million)

	Balance	Percentage (%)
Top 10 borrowers	25,612	2.48

During the reporting period, the Company strictly controlled the loan concentration risk. The total balance of top 10 borrowers amounted to RMB25,612 million, accounting for 2.48% of total loans and 18.32% of net capital at the end of the period, respectively, which were controlled within the regulatory requirements.

(4) Classification of loan guarantee methods and percentages

(Unit: RMB1 million)

	At the end of the year		At the beginning of the year	
	Book balance	Percentage (%)	Book balance	Percentage (%)
Unsecured loans	152,988	14.31	133,136	14.16
Guaranteed loans	374,272	35.00	299,161	31.83
Collateral loans	541,912	50.69	507,692	54.01
– Mortgage loans	405,643	37.94	394,674	41.99
– Pledge loans	136,269	12.75	113,018	12.02
Total	1,069,172	100.00	939,989	100.00

During the reporting period, the Group continuously improved loan guarantee structure and attached importance to the increase of collaterals to mitigate loan risks. The percentage of mortgage and pledge loans maintained a high level.

2. Major loans and interest rates

(1) Major loans and interest rates by business category

(Unit: RMB1 million)

Category	Average balance	Interest	Average interest rate (%)
Corporate loans	786,231	50,577	6.43
Retail loans	183,951	10,035	5.46
Total	970,182	60,612	6.25

(2) Major loans and interest rates by term

(Unit: RMB1 million)

Category	Average balance	Interest	Average interest rate (%)
General short-term loans	448,977	26,936	6.00
Medium and long-term loans	521,205	33,676	6.46
Total	970,182	60,612	6.25

Note: General short-term loans include discounts.

3. Financial assets held under resale agreements

(Unit: RMB1 million)

Item	End of 2015		End of 2014	
	Balance	Percentage (%)	Balance	Percentage (%)
Bonds	145,885	59.47	25,299	20.55
Bills	99,412	40.53	97,837	79.45
Total	245,297	100.00	123,136	100.00

vi. Analysis of liabilities

1. Due to customers

(Unit: RMB1 million)

Category	Average balance	Interest	Average interest rate (%)
Corporate demand deposits	364,088	3,431	0.94
Corporate time deposits	699,225	20,700	2.96
Savings demand deposits	77,583	234	0.30
Savings time deposits	146,208	5,209	3.56
Total	1,287,104	29,574	2.30

2. Financial assets sold under repurchase agreements

(Unit: RMB1 million)

Item	End of 2015		End of 2014	
	Balance	Percentage (%)	Balance	Percentage (%)
Bonds	69,670	86.56	40,072	99.68
Bills	10,821	13.44	130	0.32
Total	80,491	100.00	40,202	100.00

3. Due to banks and other financial institutions

(Unit: RMB1 million)

Item	End of 2015		End of 2014	
	Balance	Percentage (%)	Balance	Percentage (%)
Due to domestic banks	132,295	48.96	138,056	48.55
Due to overseas banks	1,020	0.38	19,837	6.98
Due to other domestic financial institutions	136,885	50.66	126,447	44.47
Total	270,200	100.00	284,340	100.00

vii. Analysis of investments

1. Material equity investments

During the reporting period, the Group did not make any material equity investments.

(1) Holding in other listed companies

(Unit: RMB1 million)

Stock code	Stock abbreviation	Initial investment	Shareholding proportion (%)	Book value at the end of the period	Return during the reporting period	Change in owner's equity during the reporting period	Accounting item	Source of shares
V	Visa Inc.	1	0.0003	1	0.02	-	Available-for-sale financial assets	Membership fees converted to shares

(2) Holdings in unlisted financial corporations and companies to be listed

(Unit: RMB1 million)

Name	Initial investment	Number of shares held (1000,000 shares)	Shareholding proportion (%)	Book value at the end of the period	Return during the reporting period	Change in owner's equity during the reporting period	Accounting item	Source of shares
China UnionPay Co., Ltd.	81	62.50	2.13	81	3.44	-	Available-for-sale financial assets	Own fund
Daxing Hua Xia Village Bank Co., Ltd.	100	100	80	100	-	-	Long-term equity investment	Own fund
Kunming Chenggong Hua Xia Village Bank Co., Ltd.	35	35	70	35	-	-	Long-term equity investment	Own fund
Sichuan Jiangyou Hua Xia Village Bank Co., Ltd.	35	35	70	35	-	-	Long-term equity investment	Own fund
Huaxia Financial Leasing Co., Ltd.	2,460	2,460	82	2,460	-	-	Long-term equity investment	Own fund

Note: The cost method was adopted for accounting of the Group's equity investments above. Except actual payments upon investment or announced but unpaid cash dividends/profits in consideration, cash dividends/profits announced by investees for distribution were recognized as return on investment into current profit or loss.

2. Material non-equity investments

Not applicable.

3. Financial assets measured at fair value

During the reporting period, the Company measured held-for-trading bonds and available-for-sale bonds at fair value, which were determined by means of quotation, transaction price or yield curve. The yield curve published by China Government Securities Depository Trust & Clearing Co., Ltd. was used as the RMB-denominated bond yield curve, and the yield curve provided by the Bloomberg system was adopted as the foreign currency-denominated bond yield curve.

Items related to Fair Value Measurement¹

(Unit: RMB1 million)

Item	At the beginning of the period	Gain/(loss) on changes in fair value during the period	Accumulated changes at fair value through equity	Provision for impairment during the period	At the end of the period
Financial assets designated at fair value through profit or loss	9,066	112	-	-	11,872
Derivative financial assets	625	-434	-	-	191
Available-for-sale financial assets	63,366	-	1,292	200	73,118
Total financial assets	73,057	-322	1,292	-	85,181
Financial liabilities ²	556	387	-	-	169

Notes:

1. There is no necessary articulation in the table.
2. Financial liabilities include derivative financial liabilities.

viii. Material asset and stock right sales

Not applicable.

ix. Analysis of major subsidiaries and equity participation companies

(1) Beijing Daxing Hua Xia Village Bank Co., Ltd.

The bank with a registered capital of RMB125 million started operation in December 2010, in which the Company holds an 80% stake. At the end of the reporting period, the bank's total assets and net assets reached RMB746,682,900 and RMB135,612,100 respectively. The deposit balance increased by 11.56% year on year to RMB573,893,200; the loan balance decreased by 5.31% year on year to RMB329,248,400. During the reporting period, the bank generated a net profit of RMB791,800 thanks to good business growth.

(2) Kunming Chenggong Hua Xia Village Bank Co., Ltd.

The bank with a registered capital of RMB50 million started operation in August 2011, in which the Company holds a 70% stake. At the end of the reporting period, the bank's total assets and net assets reached RMB524,660,200 and RMB57,451,100 respectively. The deposit balance increased by 32.54% year on year to RMB427,098,800; the loan balance rose by 23.71% year on year to RMB351,970,700. During the reporting period, the bank generated a net profit of RMB4,281,800 thanks to good business growth.

(3) Sichuan Jiangyou Hua Xia Village Bank Co., Ltd.

The bank with a registered capital of RMB50 million started operation in December 2011, in which the Company holds a 70% stake. At the end of the reporting period, the bank's total assets and net assets reached RMB744,959,000 and RMB72,730,200 respectively. The deposit balance increased by 36.54% year on year to RMB662,003,600; the loan balance rose by 18.67% year on year to RMB475,601,900. During the reporting period, the bank generated a net profit of RMB12,587,800 thanks to good business growth.

(4) Huaxia Financial Leasing Co., Ltd.

The company with a registered capital of RMB3 billion started operation in May 2013, in which the Company holds an 82% stake. At the end of the reporting period, the company's total assets, total liabilities and net assets were RMB39,738 million, RMB36,163 million and RMB3,575 million respectively. The company generated a net profit of RMB353 million thanks to good business growth.

x. Structure entities controlled by the Company

Not applicable.

xi. Business review

1. Corporate banking

During the reporting period, the corporate banking line actively responded to the market changes, adjusted its operating strategies in a well-timed manner, strived for innovative development, continuously improved service capability and efficiency with focus on cash management and financing services, and achieved remarkable results.

In response to interest rate liberalization, corporate deposits were effectively organized in a bid to reduce costs and improve efficiency. According to the deposit marketing strategy of "attracting low-cost funds energetically and relatively high-cost funds moderately while strictly controlling high-cost funds", thanks to the continuous and steady withdrawal of high-cost funds, at the end of the reporting period, the Company recorded corporate deposits of RMB1,106,692 million, an increase of RMB43,734 million or 4.11% compared with last year; average daily corporate deposits reached RMB1,061,544 million, up RMB47,507 million or 4.68%.

The Company deeply implemented the strategy of customer-centered “SME Financial Service Provider”, continued to promote the multi-level classified development and maintenance of customers, and constantly expanded customer groups and consolidated customer base. The Company continued to implement the list-based marketing for key customers, provided integrated financial services and advanced comprehensive cooperation and in-depth development. With key customers as the platform, the Company realized the development of upstream and downstream customers and related customers of key customers in batches, through the customer development models of chain-based development, sector development and source development. The Company made great efforts to develop such customers as fiscal and public institutions, and formally launched the non-tax collection business for the central government. At the end of the reporting period, the Company’s corporate customers numbered 360,100, an increase of 38,400 or 11.94% over the beginning of the year.

The Company devoted great energies to the R&D, popularization and use of applicable products in line with market changes and customer needs. It developed such products as commercial draft guarantee, urbanization fund investment and entrance fee collection right pledge finance, and optimized bill pool and other products. The Company continued to cultivate supply chain finance brand and energetically developed industrial finance. During the reporting period, nearly RMB1,100 billion of key corporate banking products were put into use, including over RMB500 billion worth of supply chain finance business. The Company successfully won the bid for the supply chain finance project of Sinopec EPEC e-business platform, and was granted four awards, including the “Annual Excellent Supply Chain Finance Innovation Bank” by the *Economic Observer* and the “Best Supply Chain Finance Bank” by the *Trade Finance*.

The Company made efforts to cultivate the green credit brand of “Green Growth, Beautiful Hua Xia” and develop the green credit on-lending of the World Bank, French Development Agency, Asian Development Bank and other foreign governments. As at the end of the reporting period, the Company granted green credit on-lending of foreign governments of RMB2,423 million for 49 projects of 34 enterprises, saving 1,925,700 tons of standard coal, reducing 3.38 million tons of carbon dioxide emission, and benefiting 18 provinces and municipalities, such as Beijing, Hebei, Shanxi and Henan.

The Company actively pushed forward the transformative development of international banking to offset the impact of a decline in foreign trade. The number of international banking customers exceeded 18,000, an increase of 10%, and that of trade finance credit customers approached to 10,000, up 12%. Trade finance business continued to expand and amounted to over USD26 billion in 2015. At the end of 2015, the Company boasted a presence of over 1,500 correspondent banks in 354 cities of 115 countries and regions in the five continents. Relying on widespread correspondent banks, the Company actively helped Chinese-invested enterprises participate in the economic and trade cooperation with and development and construction of countries along the “Belt and Road”. The Company launched innovative products and services in line with market changes and customer needs, and, as one of the banks first connected to the Cross-border Interbank Payment System (CIPS), it rendered more efficient and rapid cross-border financial services for customers; it continuously provided such solutions as trade finance, exchange trading and international settlement products, and kept enriching and improving “Huanqiu Zhiying” international financial service brand. So far it has formed a product mix comprising nearly 100 products in nine categories, 10 unique solutions and seven major industrial service plans. During the reporting period, the Company was awarded the “Best Trade Finance Growth Bank” in the selection jointly sponsored by the *Trade Finance* and Sinotf.com, and the “Best International Financial Service Award” in the selection sponsored by *Hua Xia Times*.

2. Small enterprise business

In response to the country's call, the Company firmly established and practiced the concept of financially serving the real economy, mainly by offering financial services for small and micro enterprises. The Company placed equal emphasis on the improvement of economic benefit and social benefit, and effectively performed the social responsibility for supporting the people's livelihood and promoting employment. At the end of the reporting period, the number of the Company's small enterprise customers increased steadily to more than 300,000, including nearly 25,500 loan customers, higher than the same period of last year; the balance of small enterprise loans reached RMB236,187 million, the growth of which was higher than the average growth of total loans; nearly 92% of applications for small enterprise loans were approved, fully fulfilling the regulatory objective of "no less than three thresholds".

The Company firmly implemented the strategy of "SME Financial Service Provider", and continued to push forward the improvement of marketing mechanism. During the reporting period, 36 tier-1 branches and 22 tier-2 branches set up small enterprise banking departments, which appointed nearly 630 full-time customer managers rendering services basically throughout the whole Bank. Shaoxing and Changzhou branches with small enterprise service features have a distinct demonstrative effect. 15 branches with sound marketing mechanism, including Beijing, Nanjing, Shenzhen and Guangzhou branches, have gradually established a multi-level marketing pattern. At the end of the reporting period, 94 integrated sub-branches had been transformed into service providers for small enterprises and personal customers. Benign interaction of customers and orderly transfer in business development were achieved by building win-win ecological system and integrating business segments.

The Company continued to strengthen the innovation, research and development of unique SME products, and launched products including revolving e-loan, 10-year housing-collateralized loan, POS Internet loan and small enterprise rent loan tailored to new needs of customers. It focused on the emerging sources of economic growth, such as high technology, modern services, agriculture, rural areas and farmers, and services for the people's livelihood. It pushed forward innovation in "Yun Bao Dai" and "Investment-Loan Link", and actively explored business like equity pledge in National Equities Exchange and Quotations.

The Company actively implemented the "Internet plus platform finance" plan, and provided online payment, financing, cash management and other integrated financial services for platform customers and their upstream and downstream customers and neighboring small enterprise customers, relying on its own payment financing system. At the end of the reporting period, the Company had nearly 7.5 million customers of "platform finance" and served more than 70,000 small enterprise customers and personal customers. The Company practiced the inclusive finance, explored Internet settlement service, quickly developed "Hua Xia Cloud Fee Payment" and applied it to the areas relating to the people's livelihood, including education and public services. During the reporting period, the Company accumulatively completed nearly 140,000 fee payments.

During the same period, the Small Enterprise Banking Departments of the Company and its Shaoxing Branch and Kunming Branch were awarded "2012-2015 Outstanding Micro and Small Enterprise Financial Service Team of National Banking Institution in 2012-2015" by CBRC; the Company's "Platform Finance" won the title of "2014 Top 10 Influential Brands of Internet Finance in China" and "2014 China Internet Finance Innovation Award" granted by the Internet Finance Work Committee of the Internet Society of China.

3. Personal banking

The Company made great efforts to enhance core competitiveness in personal banking, strengthened customer service capability and kept improving personal banking support for the whole Bank's development. During the reporting period, the Company enhanced the cultivation of basic customer group, reinforced building of various channels, strengthened product marketing and promotion, and pushed forward the steady growth of personal deposits by effective management of pressure of rising liability costs. At the end of the reporting period, the balance of personal loans of the Company reached RMB243,308 million, an increase of RMB4,371 million or 1.83% over the previous year. Average daily personal deposits rose by RMB25,862 million or 13.09% to RMB223,364 million.

In respect of personal loans, the Company actively understood the trend of consumption upgrade in China, timely seized the development opportunities, followed customers' consumption demands and continuously promoted three business segments, i.e. dwelling, working and living. Newly launched medium and high-end unsecured loans like Elite Loan and Ji Jin Bao were popular in the market, approaching to RMB3 billion within only half a year. The Company strengthened the comprehensive contribution and scaled up credit assets by bettering service quality and efficiency, advancing product innovation and improving customer experience. At the end of the reporting period, the balance of personal consumer loans of the Company reached RMB126,744 million, an increase of RMB4,845 million or 3.97% over the previous year.

The Company should adapt personal wealth management to the changes in investment market and strengthen product innovation. It continuously pushed forward stable and sustainable development of wealth management business by enhancing sales management and marketing arrangement, launching wealth management products exclusive for holidays, intensifying sales compliance, setting up wealth management manager team and broadening cooperation channels. During the reporting period, sales of personal wealth management products increased by 4.18% year on year to RMB1,056.2 billion; 1,725 closed-end wealth management products were honored with an amount of RMB533,996 million, up 5.89% year on year. All the products were honored normally and stably.

Hua Xia debit card business sustained rapid development. At the end of the reporting period, the Company accumulatively issued 30,510,100 Hua Xia debit cards. The Company made great efforts to promote financial IC debit cards, the number of which increased by 101.20% over last year; Xi'an, Taiyuan, Hefei and Dalian branches joined Beijing, Tianjin, Shijiazhuang, Guangzhou, Jinan, Zhengzhou, Chongqing, Shenyang and Nanchang branches to issue Hua Xia ETC card series, making a breakthrough of such business in China. The issuance of Hua Xia ETC cards maintained rapid growth by 21.21% year on year; in light of Beijing-Tianjin-Hebei coordinated development strategy, and the demands and characteristics of personal customer services after integration of Beijing, Tianjin and Hebei, the Company promoted the Beijing, Tianjin and Hebei coordinated development card and enriched "seven-in-one" service features, which have been highly recognized by the market. In 2015, the Company's Beijing-Tianjin-Hebei coordinated development card was granted "Top 10 Financial Brand Innovation Award (Retail Business)" by *The Banker* magazine and "2015 Regional Retail Product Innovation Award" in the 21st Century Asian financial institution competitiveness assessment.

Adhering to the business concept of “quality development and profitable growth” for its credit card business, the Company further strengthened product innovation, optimized product structure and achieved sustained and rapid business development. In terms of product innovation, the Company expanded the proportion of high-yield products, increased the issuance of high-end cards, deeply exploited overseas tourism and overseas shopping market and launched innovative Hua Xia elite global credit cards. In keeping with the development trend of emerging business like Internet-based business and mobile interconnection business, the Company launched WeChat self-service loan and HCE cloud flash-pay mobile payment products, and new offered marketing channels, including online application, PAD marketing and WeChat application. As at the end of the reporting period, 7.81 million Hua Xia credit cards were issued accumulatively. During the reporting period, the Company’s credit card business was awarded the “Most Innovative Design of Credit Card” by *The World* magazine and the “Outstanding Credit Card Brand” by jrj.com.cn.

The Company broadened new service channels and fields, and launched personal Internet banking and mobile banking cross-border remittance service during the reporting period; it continuously increased input in self-service banking and POS merchant business, and pushed forward channel product innovation and channel construction. At the end of the reporting period, the Bank had 1,155 self-service banking outlets, an increase of 139 in the year. It accumulatively installed 5,910 self-service equipments, an increase of 541.

4. Financial market business

During the reporting period, the Company actively responded to the market changes by strengthening the study of macro-economic situation and operation trend of bond market. It adjusted investment and trading strategies on its own initiative, and seized the market opportunities. While maintaining the relative stability of total scale of bonds, the Company appropriately adjusted bond duration and position structure, and continuously and stably improved the return on bond investment. It further participated in the market and expanded trading volume by currency trading, bond trading, foreign exchange trading and commodity trading. In 2015, the Company completed 15,486 inter-bank lending transactions and pledged repurchase transactions, amounting to RMB18,477,084 million. In 2015, the accumulative amount of RMB and foreign-currency treasury transactions reached RMB3,603,198 million, a year-on-year increase of 106.46%.

The Company formulated the guidelines on underwriting of bond financing instruments to clarify the priorities of work, and closely followed and quickly responded to the regulatory policy changes and market developments. It fully grasped the characteristics of enterprises and their industries, and adopted various underwriting methods, including exclusive lead underwriting, co-lead underwriting and financial advisory, to expand market share and drive the sustained growth of underwriting business. During the reporting period, the Company completed the issuance of RMB208.78 billion, an increase of 37.19% over the previous year.

With the theme of development and innovation, the Company adhered to regulated operation and energetically boosted business development. As at the end of the reporting period, the balance of wealth management products reached RMB467,212 million, a year-on-year increase of 25.05%.

The Company was awarded the “2014 Best Bidding and Market Making Institution in Inter-bank Foreign Exchange Market” by China Foreign Exchange Trade System. In the selection of outstanding Chinese investment banks by the *Securities Times* in 2015, the Company won the award of “2015 Best Universal Investment Bank”; in the selection of 2015 best wealth management institution in China by the *Securities Times*, the Company was awarded “2015 Best Wealth Management Brand in China” and “2015 Best Banking Wealth Management Product in China”; in the selection of the Eighth Golden Shell Award for asset management by the *21st Century Business Herald*, the Company won the award of the “Best Wealth Management Product Innovation Bank”.

5. E-banking

During the reporting period, following the “second bank” strategy, the Company enhanced innovation in “e-banking + Internet finance”, continuously deepened smart e-banking services, actively promoted cross-sector cooperation, and further improved Internet-based customer acquisition and service capability.

The Company deepened the mechanism of “customer experience” and “experience customers”, and designed mobile banking 3.0 services based on the “ultimate experience” Internet thinking and “minimal finance” concept. It was the first in the industry to launch “WeChat Banking Lobby” marketing mode and “Moments” remittance services, building a closed loop of “social finance”. It innovated in service means, and took the lead in launching watch banking with financial service functions, in a move to penetrate into the financial services for wearable devices. Laying out scenario finance, the Company created a mobile financial ecosphere for customers of “car owners” and “elderly finance”. The Company improved intelligent services, launched multi-channel online intelligent response services, and deployed lobby assistant robots at outlets, in a move to explore new patterns of future banking services. Through active cross-sector cooperation, the Company has entered into a strategic partnership with WeBank and Ant Financial in the fields like microfinance, Internet payment, Internet wealth management, Internet credit reference and ecosphere construction, to provide customers with convenient, safe and rich products and services. During the reporting period, the Company won the awards of the “Best Internet Banking Security in China for 2015” conferred by China Financial Certification Authority (CFCA) and the “Most Competitive Mobile Banking for 2015” by *China Internet Weekly*.

During the reporting period, the number of the Company’s corporate Internet banking customers reached 188,900, an increase of 17.40% over the previous year; the number of personal Internet banking customers reached 3,895,800, up 23.52%; the number of mobile banking customers reached 3,493,700, up 119.89%; the volume of e-banking transactions reached 173,825,700, up 75.49%; the amount of e-banking transactions stood at RMB19.32 trillion, up 25.13%. The volume and amount of e-banking transactions increased quickly, indicating an obvious improvement of customer quality.

III. DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT

i. Industry competitive pattern and development trend

The year 2016 marks the beginning of the 13th Five-year Plan. The supply-side structural reform will benefit the benign development of the banking industry in the long term, and it will also challenge banks' operation and management in the short term. On the one hand, the banking industry will face unprecedented challenges. Competition for traditional banking in capital market, non-banking financial institutions and Internet financial institutions will be increasingly fierce, with a downward trend of asset growth, a decline in the stability of fund sources, continuous increase of asset quality pressure and a pronounced moderation of profit growth. On the other hand, banking industry is still in a period of strategic opportunities. The efforts made in advancing Beijing-Tianjin-Hebei coordinated development, the "Belt and Road" initiative, construction of the Yangtze River Economic Zone, new-style urbanization and new countryside construction will provide a broad development room for the banking industry. The continuous increase of resident income, development of service trade and domestic demands with huge potential lay a solid foundation for banking transformation. Looking ahead, against the backdrop of the new normal of Chinese economy, the banking industry will continue to be oriented to serve the real economy, speed up reform and transformation, highlight innovative drive, and gradually shift from the inorganic development built on scale and growth rate to the organic and intensive development of improving quality and business performance.

ii. The Company's development strategies

The 2016 marks the end of the *Development Program 2013-2016*. The Company will firmly implement the strategy of "SME Financial Service Provider", quicken the business transformation, and deepen structural adjustment. It will endeavor to reduce cost and increase efficiency, professionalize business, and cultivate business brand and unique operation. It will refine management, develop "Hua Xia Service" brand, and become a modern commercial bank with distinct features. Looking to the future, guided by the 13th Five-year Plan of China, the Company will center on the improvement of quality and business performance, maintain its strategic positioning and steady progress, and make greater contributions to serving the real economy.

iii. Operating plan

In 2016, according to the requirements of the Eighteenth National Congress of the CPC, the Third, Fourth and Fifth Plenary Sessions of the Eighteenth CPC Central Committee and the Central Economic Work Conference, the Company will firmly establish and practice the development concepts of innovation, coordination, greening, openness and sharing, and adapt to the new normal of economic development. It will pay more attention to quality and business performance, structural adjustment, reform and innovation, and ensure the targets of the four-year development plan can be successfully fulfilled.

1. Deeply implement the strategy of “SME Financial Service Provider” and expedite business transformation

Deepen the reform of marketing system. The Company will promote the reform of marketing management system and mechanism based on customer services. It will devote energies to integrated services, integrate service functions and enhance service capability. The Company will reinforce customer development, settlement and cash flow management, product sales and use and channel construction, expand customer base and optimize customer structure. The Company will intensify customer analysis and provide customers with pertinent quality services.

Expedite the construction of the “second bank”. The Company will build four major service platforms, i.e. e-banking, direct banking, financial asset trading and SME financial service, and expand customer groups. It will accelerate the strategic partnership with Internet finance enterprises, and expand the width and depth of cooperation. The Company will reinforce the mechanisms of “customer experience” and “experience customers”, and further improve the fit of product design, channel construction and customer demand. The Company will keep optimizing Internet banking and mobile banking and develop an updated version of “Hua Xia Dragon Network” brand.

Deepen structural adjustment. Being price-oriented and sticking to benefits, the Company will energetically enhance the ability to attract low-cost funds, organize high-yield assets and control risks, and optimize asset and liability structure. Aiming at cultivating new sources of growth, the Company will focus on SME finance, personal loans, asset management, credit card, investment and corporate financing, activate existing assets and optimize income structure. In light of objectives, it will enhance the role of quality and benefit assessment in vertical spreading and perfect the evaluation and incentive mechanism, based on the construction of management accounting platform. Being profit-driven, its resource allocation will give priority to high-yield business that attracts low-cost funds, in a bid to improve resource allocation efficiency.

2. Continue to shape “Hua Xia Service” brand and sharpen competitive edge

Enhance product innovation capability. The Company will strengthen its financial service capability in light of national strategies like the “Belt and Road” and the “Yangtze River Economic Zone”. It will actively engage in inclusive finance, support agriculture, rural areas and farmers, SME and shantytown renovation, and provide financial services for targeted poverty alleviation. It will continue to advance financial services with respect to Beijing-Tianjin-Hebei coordinated development and cultivate brand features. It will speed up the construction and innovative development of institutions in free trade zones, give play to their demonstration effect, and foster business features. It will reinforce such brands as green finance, elderly finance and going abroad finance, and push forward the transformation of supply chain finance to industrial finance.

Enhance channel construction capability. The Company will energetically develop small sub-branches, community sub-branches and small and micro sub-branches by rational planning, moderate development and improvement of layout and efficiency. It will better the marketing service system of community sub-branches, and launch exclusive teams, products and services. It will drive the ecological construction of “Smart Community” to enhance the service capability of community sub-branches. It will optimize the sub-branch lobby management mode, and standardize and improve the effectiveness of services.

Enhance technology support capability. The Company will expedite the in-depth integration of business and technology, transform cost-oriented IT input to value and service-oriented IT input, strengthen technology innovation capability and fully leverage system and data to drive business.

3. Enhance risk management and control capability to ensure safe and stable operation

Improve comprehensive risk management. The Company will strengthen overall management, improve management and control mechanism, push forward the implementation of a new comprehensive risk management framework, and realize full coverage of risk management. It will strengthen identification of emerging business risks, and tighten concentration and proportion management. It will expedite the implementation of Basel II&III projects, and improve quantitative risk management. It will improve identification, monitoring, measurement and control mechanism for various risks, strengthen continuous monitoring, real time control and dynamic management of risks and enhance risk management and control.

Strengthen credit risk management. The Company will enhance the foresight, guidance and constraint of credit policy, guide the continuous optimization of credit structure, and provide significant support for such fields as infrastructure construction, manufacturing transformation and upgrade, resident consumption growth and green credit. It will reinforce credit access management for credit customers and the consistency between marketing policy and credit policy, and better customer structure. It will expedite the recovery and disposal of problem assets by diversified and innovative methods.

Push forward the establishment of compliance system and cultivation of compliance culture. The Company will improve internal control mechanism, strengthen inspection and supervision on system implementation, and intensify the accountability and punishment with respect to violation of rules and regulations. It will reinforce the duties of departments and employees responsible for case prevention, strengthen case prevention process management and take management and control measures against case risk points in a timely manner. It will enhance the monitoring and inspection of abnormal staff behaviors and strictly implement the regulatory requirements on anti-money laundering. It will regulate the operation of institutions and ensure compliance of staff behaviors and safety of place of business.

iv. Possible risks

As economic growth rate is shifting from high speed to medium to high speed and the structural contradiction between supply and demand is still outstanding, the risks accumulated in a long term will further emerge and challenge commercial banks' operation.

First, slowdown of scale expansion. The transformation of economic growth pattern will trigger a change in the asset and liability structure of banks, intensify fund diversion and challenge the scale-up and liquidity management of banks.

Second, moderation of profit growth. With the basic liberalization of interest rate, deposit and loan interest spread will further narrow and bring about bigger challenges to banks' profitability.

Third, continuously rising asset quality pressure. Traditional credit risk is exposed faster and faster, while emerging market business risks gradually emerge, posing high requirements on banks' risk control capability.

Fourth, fierce market competition. New finance, typically Internet finance and mobile finance, is developing rapidly, and has spread to core banking, which has higher requirements on banks' integrated service capacity and differentiated innovation.

IV. BANKING BUSINESS DATA

i. Main accounting data for the three years prior to the end of the reporting period

(Unit: RMB1 million)

Item	End of 2015	End of 2014	End of 2013
Total assets	2,020,604	1,851,628	1,672,447
Total Liabilities	1,902,216	1,749,529	1,586,428
Owner's equity attributable to equity holders of the listed company	117,678	101,458	85,420
Total deposits	1,351,663	1,303,216	1,177,592
Incl.: Corporate demand deposits	489,750	381,336	393,615
Corporate time deposits	414,827	445,784	377,330
Savings demand deposits	110,917	91,585	83,613
Savings time deposits	130,830	133,008	113,110
Other deposits	205,339	251,503	209,924
Total loans	1,069,172	939,989	823,169
Incl.: Pass loans	1,052,875	929,744	815,726
NPL	16,297	10,245	7,443
Placements from banks and other financial institutions	64,141	42,638	35,538
Allowance for impairment losses on loans	27,235	23,884	22,443

ii. Capital composition, leverage ratio and changes thereof

1. Capital composition and its changes

(Unit: RMB1 million)

Item	31 December 2015		31 December 2014		31 December 2013	
	Consolidated	Unconsolidated	Consolidated	Unconsolidated	Consolidated	Unconsolidated
1. Total capital, net	144,336	139,832	132,441	128,585	105,621	102,315
1.1 Core tier 1 capital	118,250	117,176	101,988	101,257	85,826	85,322
1.2 Core tier 1 capital deductions	2	2,630	1	2,630	-	2,630
1.3 Net core tier 1 capital	118,248	114,546	101,987	98,627	85,826	82,692
1.4 Other tier 1 capital	39	-	20	-	4	-
1.5 Other tier 1 capital deductions	-	-	-	-	-	-
1.6 Net tier 1 capital	118,287	114,546	102,007	98,627	85,830	82,692
1.7 Tier 2 capital	26,049	25,286	30,434	29,958	19,791	19,623
1.8 Tier 2 capital deductions	-	-	-	-	-	-
2. Credit risk weighted assets	1,225,885	1,191,486	1,107,853	1,081,929	988,581	977,130
3. Market risk weighted assets	5,364	5,364	6,018	6,018	6,665	6,665
4. Operational risk weighted assets	99,142	97,935	87,230	86,587	74,210	74,029
5. Total risk weighted assets	1,330,391	1,294,785	1,201,101	1,174,534	1,069,456	1,057,824
6. Core tier 1 CAR (%)	8.89	8.85	8.49	8.40	8.03	7.82
7. Tier 1 CAR (%)	8.89	8.85	8.49	8.40	8.03	7.82
8. CAR (%)	10.85	10.80	11.03	10.95	9.88	9.67
9. Capital instruments enjoying preferential policy during the transitional period: According to relevant provisions of the <i>Regulation Governing Capital of Commercial Banks (Provisional)</i> , ineligible tier 2 capital instruments issued by commercial banks prior to 12 September 2010 are entitled to the preferential policy. During the reporting period, the includible amount of the Company's ineligible tier 2 capital instruments was RMB4.0 billion.						

Notes:

1. Calculated according to the *Regulation Governing Capital of Commercial Banks (Provisional)* (CBRC No. 1 Decree in 2012).
2. Net core tier 1 capital = Core tier 1 capital – core tier 1 capital deductions.
3. Net tier 1 capital = Net core tier 1 capital + other tier 1 capital – other tier 1 capital deductions.
4. Total capital, net = Net tier 1 capital + tier 2 capital – tier 2 capital deductions.

2. Leverage ratio and its changes

(Unit: RMB1 million)

Item	31 December 2015	30 September 2015	30 June 2015	31 March 2015
Net tier 1 capital	114,546	109,031	108,058	102,429
Adjusted on and off-balance sheet asset balance	2,357,489	2,305,621	2,296,204	2,194,627
Leverage ratio (%)	4.86	4.73	4.71	4.67

Note: The above are unconsolidated data calculated according to the *Regulation Governing Leverage Ratio of Commercial Banks (Revised)* (CBRC No. 1 Decree in 2015).

3. According to the *CBRC Regulatory Requirements on the Disclosure of Capital Composition Information by Commercial Banks* (Y.J.F. [2013] No. 33) and the *Regulation Governing Leverage Ratio of Commercial Banks (Revised)* (CBRC No. 1 Decree in 2015), please refer to the special column of investor relations at www.hxb.com.cn, the Company's official website, for the details on capital composition, major characteristics of capital instruments and leverage ratio of the Group.

iii. Liquidity coverage ratio

(Unit: RMB1 million)

Item	31 December 2015
Stock of high-quality liquid assets	220,346
Net cash outflows over a 30-day time period	291,708
Liquidity coverage ratio (%)	75.54

Note: The above are consolidated data calculated according to the *Notice of CBRC on 2015 Offsite Regulatory Statements* (Y.J.F. [2014] No. 51) and the *Liquidity Risk Management Measures of Commercial Banks (Revised)* (CBRC No. 9 Decree in 2015).

iv. Main financial indicators for the three years prior to the end of the reporting period

Major indicator (%)		Standard value	2015	2014	2013
Return on assets			0.98	1.02	0.98
Return on capital			17.19	19.16	19.30
NPL ratio			1.52	1.09	0.90
Allowance for impairment losses on loans to non-performing loans			167.12	233.13	301.53
Allowance for impairment losses on loans to total loans			2.55	2.54	2.73
Cost-to-income ratio			35.01	37.57	38.93
Loan-to-deposit ratio	RMB		75.26	67.76	68.20
	RMB equivalent		76.53	97.90	103.08
	Total		75.29	68.52	69.02
Asset liquidity ratio	RMB		39.14	46.75	30.59
	RMB equivalent		83.27	70.50	56.63
Percentage of loans to single largest borrower		≤10%	4.46	4.68	5.77
Percentage of loans to top 10 borrowers		≤50%	18.32	18.47	24.61

Notes:

1. Percentage of loans to single largest borrower = Total loans to the largest borrower/total capital, net * 100%

Percentage of loans to top 10 borrowers = Total loans to top 10 borrowers/total capital, net * 100%

Total capital, net was calculated according to the *Regulation Governing Capital of Commercial Banks (Provisional)* (CBRC No. 1 Decree in 2012).

2. Loan-to-deposit ratio, asset liquidity ratio, percentage of loans to single largest borrower and percentage of loans to top 10 borrowers were calculated according to the regulatory approach.

Migration ratios

Item (%)	2015	2014	2013
Pass loan migration ratio	5.65	2.82	2.88
Special-mention loan migration ratio	34.15	35.75	23.17
Substandard loan migration ratio	94.86	96.74	91.73
Doubtful loan migration ratio	31.13	26.75	27.65

Note: Migration ratios were calculated according to relevant rules of CBRC. Pass loan migration ratio = Downward migrating amount of pass loans at the beginning of the period/(balance of pass loans at the beginning of the period – decreased amount of pass loans during the period) × 100%; special-mention loan migration ratio = Downward migrating amount of special-mention loans at the beginning of the period/(balance of special-mention loans at the beginning of the period – decreased amount of special-mention loans during the period) × 100%; sub-standard loan migration ratio = Downward migrating amount of sub-standard loans at the beginning of the period/(balance of sub-standard loans at the beginning of the period – decreased amount of sub-standard loans during the period) × 100%; and doubtful loan migration ratio = Downward migrating amount of doubtful loans at the beginning of the period/(balance of doubtful loans at the beginning of the period – decreased amount of doubtful loans during the period) × 100%.

v. Interest-generating assets, interest-bearing liabilities and average interest rates

(Unit: RMB1 million)

Category	Average balance	Interest	Average interest rate (%)
Interest-generating assets:			
Loans and advances to customers	970,182	60,612	6.25
Balances with central banks	241,419	3,663	1.52
Peer assets	193,441	7,403	3.83
Bond investment	391,745	19,646	5.01
Total interest-generating assets	1,796,787	91,324	5.08
Interest-bearing liabilities:			
Deposits taken	1,287,104	29,574	2.30
Due to central banks	26,783	924	3.45
Peer liabilities	342,218	13,147	3.84
Debt obligations payable	34,752	1,596	4.59
Total interest-bearing liabilities	1,690,857	45,241	2.68

vi. Hierarchical management and number and regional distribution of institutions

1. Overview of hierarchical management

The Company focuses on economically central cities while radiates over the whole country. It conducts the institution planning and setup, routine operation and internal management under the three-level organizational management system which consists of the Head Office, branches and sub-branches.

As at the end of the reporting period, the Company set up 38 tier-1 branches, 45 tier-2 branches, nine non-local branches and 789 outlets (including 135 community and micro and small-sized sub-branches) in 88 Chinese cities at prefecture level and above. The reporting period saw four new tier-1 branches in Yinchuan, Haikou, Shanghai FTZ and Tianjin FTZ, nine new tier-2 branches in Zhongshan, Yichang, Huai'an, Langfang, Binzhou, Longyan, Dali, Shuo Zhou and Weifang and 159 new outlets. At the same time, the Hong Kong Representative Office was established in order to expand cross-border financial service.

2. Branches

Institution	Business address	Number of outlets	Headcount	Asset size (RMB1 million)
Head Office	22 Jianguomennei Street, Dongcheng District, Beijing		5,079	1,053,673
Beijing Branch	11 Financial Street, Xicheng District, Beijing	69	2,281	410,364
Nanjing Branch	81 Zhongshan Road, Nanjing	46	1,589	137,711
Hangzhou Branch	73 Qingchun Road, Hangzhou	40	1,899	106,354
Shanghai Branch	256 Pudong South Road, Shanghai	29	913	100,434
Ji'nan Branch	138 Weier Road, Ji'nan	43	1,610	84,269
Kunming Branch	98 Weiyuan Road, Kunming	27	984	115,905
Shenzhen Branch	Nanguangjiejia Mansion, 3037 Shennan Middle Road, Futian District, Shenzhen	36	1,254	142,155
Shenyang Branch	51 Qingnian Street, Shenhe District, Shenyang	24	925	40,634
Guangzhou Branch	Nanyue Mansion, 13 Huaxia Road, Tianhe District, Guangzhou	35	1,412	126,172
Wuhan Branch	Huayin Mansion, 786 Minzhu Road, Wuchang District, Wuhan	38	1,218	85,666
Chongqing Branch	27 Jiangbeichengxi Street, Jiangbei District, Chongqing	27	764	105,224
Chengdu Branch	1 Hangkong Road, Wuhou District, Chengdu	28	983	73,644
Xi'an Branch	111 Chang'an North Road, Xi'an	18	613	29,882
Urumqi Branch	15 Dongfeng Road, Urumqi	11	408	17,849
Dalian Branch	25 Tongxing Street, Zhongshan District, Dalian	14	660	57,086
Qingdao Branch	5 Donghai West Road, Shinan District, Qingdao	28	906	68,363
Taiyuan Branch	113 Yingze Street, Taiyuan	27	1,052	60,345
Wenzhou Branch	Shenli Mansion, Chezhan Avenue, Wenzhou	17	663	30,473
Fuzhou Branch	Huaxia Mansion, 1 Gutian Zhilu, Gulou District, Fuzhou	19	604	24,580
Hohhot Branch	Capital Plaza, 1 Zhongshan West Road, Huimin District, Hohhot	16	754	21,050
Tianjin Branch	Tower E, Huanbohai Development Center, Zeng 9 Binshui Road, Hexi District, Tianjin	22	687	40,147

Institution	Business address	Number of outlets	Headcount	Asset size (RMB1 million)
Shijiazhuang Branch	48 Zhongshan West Road, Shijiazhuang	44	1,559	71,281
Ningbo Branch	366 Heyuan Road, Jiangdong District, Ningbo	12	525	23,246
Shaoxing Branch	260 Yan'an Road, Shaoxing	9	350	19,854
Nanning Branch	Tower B, Huarun Mansion, 136-2 Minzu Avenue, Nanning	13	528	27,880
Changzhou Branch	162 Heping North Road, Changzhou	15	437	24,245
Suzhou Branch	188 Xinghai Street, Suzhou Industrial Park, Suzhou	19	594	55,336
Wuxi Branch	Changxing International Financial Plaza, Financial Street I, Taihu New Town, Wuxi	17	538	48,036
Changsha Branch	Huameiou International Mansion, 389 Wuyi Road, Changsha	7	370	27,620
Hefei Branch	Building C, Wealth Plaza, 278 Suixi Road, Hefei	9	350	20,741
Xiamen Branch	Jianshe Keji Mansion, 62 Hubin South Road, Siming District, Xiamen	5	274	12,907
Changchun Branch	4888 Renmin Street, Nanguan District, Changchun	7	266	16,124
Zhengzhou Branch	29 Business Outer Ring Road, Zhengdong New District, Zhengzhou	7	435	28,557
Nanchang Branch	10 Binjiang Shoufu, Zhongshan West Road, Xihu District, Nanchang	7	268	28,726
Shanghai FTZ Branch	2 Taizhong South Road, China (Shanghai) Pilot Free Trade Zone	1	40	620
Tianjin FTZ Branch	Railway Construction Building, 31 Central Ring West Road, Tianjin Free Trade Zone (Airport Economic Zone)	1	17	1,131
Yinchuan Branch	168 Xinchang East Road, Jinfeng District, Yinchuan	1	113	1,566
Haikou Branch	61 Guoxing Avenue, Meilan District, Haikou	1	98	3,914
Regional summarization adjustment				-1,358,943
Total		789	34,020	1,984,821

Note: Headcount of the Head Office includes the staff of Credit Card Center.

3. Representative Office outside the Mainland

Institution	Business address	Number of outlets	Headcount
Hong Kong Representative Office	59th Floor, Two International Finance Center, 8 Finance St., Central Hong Kong	1	3

vii. Credit asset quality during the reporting period

1. Quality of credit assets

(Unit: RMB1 million)

Five-tier classification	Amount	Percentage (%)	Increase/decrease compared with the end of previous year (%)
Pass loans	1,007,865	94.27	11.30
Special-mention loans	45,010	4.21	85.75
Sub-standard loans	6,136	0.57	153.14
Doubtful loans	6,604	0.62	18.95
Loss loans	3,557	0.33	56.77
Total	1,069,172	100.00	13.74

During the reporting period, due to the complicated economic environment, industrial risk, regional risk and mutual guarantee risk continued to aggregate and be exposed, credit risk also increased and banks' asset quality was under great stress.

The Group took a series of moves to actively respond to the complicatedness, e.g. improving credit business quality, optimizing business structure, strengthening risk monitoring and early warning, emphasizing risk control in key areas and industries, intensifying disposal of problematic loans. In spite of growth in both non-performing loan amount and ratio, overall risks were controllable and the operation was relatively stable.

At the end of the reporting period, the Group's NPL balance was RMB16,297 million, an increase of RMB6,052 million over the end of previous year; NPL ratio increased by 0.43 percentage points to 1.52%; the balance of special-mention loans was RMB45,010 million, an increase of RMB20,779 million, with a ratio of 4.21%, up 1.63 percentage points compared with the end of previous year.

2. Restructured loans and overdue loans

(Unit: RMB1 million)

Category	Balance at the beginning of the period	Balance at the end of the period	Percentage (%)
Restructured loans	3	181	0.02
Overdue loans	22,826	42,348	3.96

Note: Overdue loans include the loans with overdue principal or interest. If the principal or interest of any period of a loan is overdue for one day or above, the whole loan shall be classified as an overdue loan.

At the end of the reporting period, the book balance of the Group's restructured loans amounted to RMB181 million, an increase of RMB178 million from the end of previous year.

Economic downturn, restructuring and sluggish demand, among other complex factors, caused some regional risk, industrial risk and customer risk to increase. As a result, the balance and percentage of the Group's overdue loans at the end of the reporting period grew fast. Overdue loan balance increased by RMB19,522 million compared with the end of previous year to RMB42,348 million, accounting for 3.96% of total loans, 1.53 percentage points higher than the last year end.

viii. Charge and write-off of allowance for impairment losses on loans

(Unit: RMB1 million)

Item	End of 2015
Balance at the beginning of the year	23,884
Charge for the year	8,818
Recovery of loans and advances that had been written off	78
Less: Transfer-out caused by increase of discounted value	344
Less: Write-offs in the year	5,201
Balance at the end of the year	27,235

Methods used in charge of allowance for impairment losses on loans:

The Company assessed the impairment losses on all loans on the balance sheet date based on two methods: individual assessment and collective assessment.

As to the single loan with a large amount, the Company applied the individual assessment method to test the impairment. If an objective evidence could indicate the loan had impairment loss, the loss amount shall be measured at the difference between the book value of the loan and the discounted value of estimated future cash flows and allowance for impairment loss on loans would be set aside and recognized in the loss of the period; the solvency of the borrower, reasonable value of the collateral, compensatory ability of the guarantor and other factors shall be fully considered in the impairment testing.

The single loan with a small amount and unimpaired loan tested by the individual assessment shall be included in the loan portfolio with similar characteristics. Their impairment losses shall be assessed collectively, and corresponding allowance for the impairment losses shall be recognized in the profit or loss.

ix. Interest receivables and charge of allowance for bad debts

(Unit: RMB1 million)

Item	Balance at the beginning of the period	Increase during the period	Recovery during the period	Balance at the end of the period
Interest receivables	9,335	1,447,212	1,445,944	10,603

Charge of allowance for bad debts of interest receivables:

During the reporting period, as the Group inspected the interest receivables and there was no impairment, the allowance for bad debts was not set aside.

Writing-off procedures and policy of bad debts:

As for the items in line with the conditions of writing-off, the Company adopted the procedures of declaration by the branches and approval by the Head Office: relevant departments of branches organized the declaration and review for the bad debts writing-off, submitted to the president panel of branches for review and approval and then reported it to the Head Office; after being reviewed by relevant departments of the Head Office and approved by the Asset Risk Disposal Committee, the items were written off.

In the process of bad debts writing-off, the Company abided by the principle of strict writing-off conditions, providing definite evidences, seriously investigating responsibilities, reporting, reviewing and approving one by one and level by level, keeping confidential and “maintaining filing after writing-off”. After the bad debts were written off, the management responsibility was strictly carried out and diversified methods were adopted in the continuing recourse.

x. Repossessed assets

(Unit: RMB1 million)

Category	At the end of the period		At the beginning of the period	
	Amount	Allowance for impairment losses	Amount	Allowance for impairment losses
Real estate	800	218	335	66
Others	114	60	55	38
Total	914	278	390	104

At the end of the reporting period, the book balance of the Group's repossessed assets was RMB914 million, of which, real estate's amounted to RMB800 million, accounting for 87.53% of the total; and others aggregated to RMB114 million, accounting for 12.47% of the total.

xi. Financial bonds held

(Unit: RMB1 million)

Category	Amount
Financial bonds of policy banks	64,079
Financial bonds of commercial banks	12,445
Subordinated bonds of commercial banks	430
Subordinated bonds of insurance companies	2,650
Hybrid capital bonds of commercial banks	900
Tier 2 capital bonds of commercial banks	100
Total	80,604

Of which, material financial bonds:

(Unit: RMB1 million)

Category	Par value	Annual interest rate (%)	Maturity date	Allowance for impairment losses (in original currency)
SPD Bank Financial Bonds Issue 1 of 2012	4,000	4.20	28 February 2017	—
CDB Financial Bonds Issue 1 of 2015	1,580	3.85	08 January 2018	—
CMBC Financial Bonds Issue 2 of 2012	1,500	4.39	10 May 2017	—
EIBC Financial Bonds Issue 3 of 2015	1,390	3.85	26 January 2020	—
BOCOM Financial Bonds of 2015	1,310	3.45	22 December 2020	—
CDB Financial Bonds Issue 3 of 2015	1,200	3.76	05 February 2020	—
CDB Financial Bonds Issue 1 of 2014	1,120	5.6957	14 January 2017	—
ADBC Financial Bonds Issue 17 of 2015	1,050	3.53	17 July 2017	—
BOB Financial Bonds Issue 1 of 2015 (Three-year Term)	1,035	3.70	23 October 2018	—
CNCB Financial Bonds Issue 2 of 2015	1,000	3.61	17 November 2020	—
BOB Financial Bonds Issue 1 of 2015 (Five-year Term)	1,000	4.00	23 October 2020	—
CMB Financial Bonds Issue 1 of 2012 (Five-year Term, at Floating Interest Rate)	1,000	R+0.95	14 March 2017	—
CDB Financial Bonds Issue 20 of 2008	1,000	3.42	25 November 2018	—

Note: R refers to the interest rate on one-year time deposits as published by PBC.

xii. Development and profit/loss of finance business, asset securitization, custody, trust and wealth management during the reporting period

1. Development and profit/loss of finance business during the reporting period

During the reporting period, the Company's finance business developed quickly, created an investment return of RMB22,016 million for customers and generated fee income of RMB5,431 million. All the matured finance products have been paid as scheduled.

2. Development and profit/loss of asset securitization during the reporting period

During the reporting period, to implement the national and regulatory requirements on acceleration of asset securitization pilot, further reinvigorating stock assets and support development of real economy, the Company expedited asset securitization business. It devised two serial asset securitization business brands, namely "Long Yuan" and "Hua Yin", the issuing scale of which totaled to RMB48,336 million. Long Yuan Credit Asset-backed Security Issue 3 (2015) was the first of its kind in the Beijing-Tianjin-Hebei region and also one of the important measures taken by the Company to carry out the government's strategy on integration of Beijing-Tianjin-Hebei region and promote regional harmonious development. By virtue of the excellent performance in securitized product issue, the Company was named the "Excellent Issuer" in China's bond market 2015 by China Government Securities Depository Trust & Clearing Co., Ltd., and Long Yuan Credit Asset-backed Security Issue 1 (2015) won the "Annual Aggressive Product Award" from the China Asset Securitization Forum.

3. Development and profit/loss of custody business during the reporting period

During the reporting period, assets under the Company's custody scaled up substantially. The Company had 651 products under custody, covering securities investment funds, securities dealers' asset management schemes and asset-backed plans, with a total amount of RMB1,306,525 million, a year-on-year increase of 21.54%, and realized a fee income of RMB1,035 million, up 8.83% compared with the previous year.

4. Development and profit/loss of trust business during the reporting period

Not applicable.

5. Development and profit/loss of wealth management business during the reporting period

In accordance with the changes in investment market, the Company made greater efforts on innovation of personal wealth management business products and devised the "going abroad" financial service brand "Long Xing Wu Zhou" in a bid to expand the base of outbound customers. The wealth management business developed soundly and sustainably through multi-pronged measures, including strengthening sales management and marketing arrangement, offering special serials and wealth management products on holidays, reinforcing compliant sales, building up a specialized team of wealth managers and broadening cooperative channels.

At the end of the reporting period, 17 branches maintained wealth management centers. The Company actively improved the product lines, regularly conducted professional training of wealth manager team, strengthened personnel management and specialized inspections, intensified sales according to laws and regulations and promoted sustainable development of wealth management business.

xii. Derivative financial instruments held

(Unit: RMB1 million)

Category	Contractual/nominal amount	Fair value	
		Assets	Liabilities
Foreign exchange forwards	6,588	32	26
Foreign exchange swaps	158,208	152	136
Interest rate swaps	10,000	7	7
Option contracts	4,178	–	–
Total		191	169

Notes:

1. Nominal amount refers to the unfinished trade volume on the balance sheet date instead of the risk amount. Fair value refers to the amount of asset exchange or liability solvency conducted by the parties concerned that are familiar with the conditions in fair trade.

2. The Company used the financial instruments in the management of assets and liabilities, e.g., as for the structural deposits absorbed, the Company reduced the interest rate risk through interest rate swaps.

xiv. Off-balance-sheet items that will have material impact on financial position and operating results

(Unit: RMB1 million)

Item	At the end of the year	At the beginning of the year
Credit commitments	453,073	458,284
Of which:		
Irrevocable loan commitments	19,008	10,376
Bank acceptances	315,187	327,567
Letters of guarantee issued	16,091	21,263
Letters of credit issued	69,991	76,292
Lease commitments	6,628	6,599
Capital expenditure commitments	412	654

Note: Credit committee data exclude unused credit card limits. Lease commitment means operating lease commitment.

The above-mentioned off-balance-sheet items might have impact on the Group's financial position and operating results, which depends on whether the related matters will occur in the future. Under certain conditions in the future, they may be converted to the actual obligation of the Group in accordance with the recognition principle of contingencies.

xv. Risks and risk management

During the reporting period, the Company actively responded to economic decline and other challenges, made efforts to strengthen comprehensive risk control with asset quality control as the overriding task, emphasized monitoring and prevention of risks in key fields, business structural adjustment and optimization and risk management improvement, and effectively prevented various risks. Its businesses maintained stable and healthy development.

1. Credit risk management

(1) Business activities incurring credit risk. Credit risk refers to the possibility of loss and uncertainty of income caused by customer default or decreased credit standing to a commercial bank, when the bank operates credit, inter-bank lending and investment businesses. The credit risk of the Group mainly exists in the on and off-balance-sheet businesses including loans, inter-bank lending, bond investments, bill acceptance, L/C, and L/G.

(2) Organizational framework and division of responsibilities of credit risk management. The Company has established a mutually restricted credit risk management organizational framework with reasonable work division and definite responsibilities: the Related Party Transactions Control Committee and the Risk & Compliance Management Committee are established under the Board of Directors to be responsible for the formulation of related party transactions management and bank-wide risk management strategies respectively; the Credit, Investment and Financing Policy Committee of the Head Office is responsible for the formulation, organization and implementation of material credit risk management policies; risk management and internal control committees of the Head Office and branches review comprehensive risk management matters, arrange and coordinate risk management and internal control work; credit risk management departments of the Head Office and branches shall be responsible for credit risk management of the whole bank and local branches; according to the authorization system and business risk profile, the Company conducts professional approval of important industries and businesses and continues to expand professional approval scope; the Company strengthens functions of each link of credit business, and sets up mutually restricted positions with definite responsibilities and smooth operation.

(3) Credit risk management and control policy during the reporting period. During the reporting period, the Company actively responded to the severe situation of increasing credit risk control pressure amid economic downturn, continued to enhance the capabilities of guiding and supporting business growth with proper credit policy and constantly optimized the structure of credit business. It strictly conducted pre-loan investigation, lending recheck and after-loan examination and strengthened risk control during credit granting. It strictly guard against risks in real estate, government financing vehicles, overcapacity and commodity financing and continued to reinforce risk management by adopting classified policies, making sure the risks of lending to key fields were controllable. On the principle of reinvigorating existing loans and optimizing incremental loans, the Company made more efforts on risk inspection, accelerated the withdrawal from low-quality customers and carried forward adjustment of credit structure and collation of existing customers in a scientific way. Besides, multi-pronged measures were taken to recover and dispose of problematic loans more aggressively. Thanks to those efforts, credit asset quality was kept stable.

(4) Credit asset risk classification procedures and methods. Pursuant to the standards in the CBRC *Guidelines on Loan Risk Classification*, the Company classified the credit assets by considering such non-financial factors as the solvency, willingness to repay, repayment records and guarantee condition of the borrowers and their internal management; credit asset risk classification of the Company followed the step-by-step classification and identification procedures: preliminary classification by the customer manager, review by the customer manager in charge, and then review, recheck and identification by the regional credit risk management personnel.

(5) Credit risk profile

Credit exposures. At the end of the reporting period, without regard to the available collaterals or other credit enhancements, total on and off-balance-sheet credit exposures of the Group amounted to RMB2,452,473 million, of which, on-balance-sheet risk exposure stood at RMB1,999,400 million, accounting for 81.53% of the total; off-balance-sheet risk exposure was RMB453,073 million, accounting for 18.47%.

Risk concentration. At the end of the reporting period, the balance of single largest legal-person customer loans of the Group was RMB6,241 million, accounting for 4.46% of net capital; the balance of top 10 single legal-person customer loans was RMB25,612 million, accounting for 18.32% of net capital.

For details of loan distribution by industry and geographical area, please refer to the “Loan Extension” of this Report.

Non-performing loan distribution by industry and geographical area. Due to economic downturn as well as regional and industrial risk factors, wholesale, retail and manufacturing pooled most of the Group’s non-performing loans with a NPL ratio of 4.01% and 3.10% respectively at the end of the reporting period, both 1.09 percentage points higher than the last year end. In terms of geographical distribution, non-performing loans were concentrated in South & Central China and East China with a NPL ratio of 1.88% and 1.71% respectively, up 0.73 and 0.36 percentage points over the end of previous year. The Group’s NPL ratio in North & Northeast China and West China was below the average level.

(6) Credit risk management measures in 2016. The analysis of overall operating environment in 2016 shows that the economic conditions at home and abroad will be still severe and banks will still be under great pressure of credit risk control. As such, the Company will continue to actively respond to and strengthen control of credit risk, accelerate the efficient running of the new comprehensive risk management structure with asset quality as the center and further enhance the level of comprehensive risk management. It will improve prospectiveness, guidance and constraint of credit policy and guide the continual optimization of credit structure. What's more, the Company will strictly carry out professional management of loans, increase consistency between marketing management and credit policy, continue to improve review and approval quality and strengthen continuous monitoring and dynamic management of loan risk to discover, prevent and dispose as early as possible. The Company will reinforce control of loan risks in high-risk industries and fields, further reinvigorate the existing loans and shunt effective resources to infrastructure construction, transformation & upgrading projects, citizens' consumption growth, green credit and advantageous industries & enterprises in the new round of growth. The Company will broaden disposal channels and create innovative disposal means to quicken the recovery and disposal of problematic loans. It will also strengthen the building of professional team, compliance system and compliance culture, strictly carry out due diligences, reinforce accountability of liabilities, continue to improve the internal control mechanism and strictly prevent process risk and frauds.

2. Explanation on liquidity risk status

Liquidity risk is the potential risk that commercial banks will be unable to raise funds at a reasonable cost to fund the asset growth or to settle liabilities as they fall due.

The Company attached great importance to liquidity risk management, and kept improving liquidity risk management measures. During the reporting period, it, in consideration of internal and external liquidity, maintained the stability of overall assets & liabilities structure, took account of both benefits and liquidity into account, broadened the liability sources, kept liabilities stable, strengthened daily reserve management and ensured the safety of external payments. In 2015, the Company's liquidity remained stable as a whole without any payment difficulties, default or deferred payment. At the end of the reporting period, the Group's liquidity coverage ratio, at 75.74%, met regulatory requirements.

In 2016, the Company will secure the stability of liquidity through actively adjusting business and maturity structures, maintaining a reasonable reserve level, continuing to improve the liquidity risk management mechanism, ameliorating policies and regulations, propelling the liquidity management system construction and bettering day-to-day management means.

3. Explanation on market risk status

(1) Market risk management. In 2015, the Company continued to improve the market risk management mechanism, refined the management dimensions, developed the management improvement plan, system implementation plan and measurement application plan, and also ameliorated the internal management structure of market risk. The market risk management level was further elevated by strengthening limit management and organizing emergency drills. In 2015, the whole bank abided by market risk appetite well, with less market risk capital tie-up and generally controllable market risk according to the stress test. The market risk capital tie-up was measured regularly according to regulatory requirements and it was a small figure under the standardized approach at the end of 2015.

(2) Interest risk status. In 2015, China entered into the cycle of interest rate and reserve requirement ratio cuts in terms of monetary policies and the central bank guided the interest rates to fall down. After interest rate cuts for five times, the one-year time deposit rate was reduced to 1.5%. Meanwhile, the cap on floating of deposit interest rate of commercial banks and other financial institutions was removed in 2015, symbolizing that the interest rate liberalization was basically completed. The Company strengthened management of interest rate risk in banking book. At the end of 2015, the interest rate re-pricing maturity gap structure in banking book of the Company was reasonable, which effectively offset the interest rate downward risk.

(3) Exchange risk status. Major currencies and bulk commodity prices in international market became more volatile in 2015. From the exchange reform on 11 August to the end of December, RMB/USD depreciated by over 4%. The Company closely followed the trend of RMB exchange rate, and continuously strengthened the foreign exchange risk monitoring and limit management. At the end of 2015, the Company's foreign exchange risk exposure was relatively small and the exchange risk was controllable.

In 2016, the central bank will continue to implement the sound monetary policy and the financial reforms will be deepened further. In response to the complicated market situation, the Company will continue to intensify overall management and control of market risk and strengthen the analysis and judgment of market trend and the prevention and control of risks in important businesses.

4. Explanation on operational risk status

During the reporting period, the Company continued to identify, monitor and report on operational risk and the operational risk management was good in general.

(1) Improve the operational risk management policy system. The Company systematically established a management policy system with operational risk management policy as the guiding principle, management measures as the over-arching regulation and consisting of a series of implementation rules on identification, assessment, monitoring, pre-warning, reporting, evaluation and measurement of operational risk, thereby providing instructive and normative documents for the whole bank's operational risk management.

(2) Strengthen the mechanisms on operational risk identification, monitoring, analysis, reporting and evaluation. The Company reinforced identification of operational risk, took a special analysis of the third-party payment business and further ramp up risk control. It intensified operational risk monitoring and analysis, improved the key risk indicators system and improved the timeliness, sensitivity and comparability of indicators. It consolidated the analysis of operational risk loss data to identify the business links where operational risk loss occurred and relevant key factors. It also strengthened evaluation of branches' operational risk management by setting forth detailed evaluation contents and methods in order to bring the incentive and restrictive role into play.

(3) Revise and improve business continuity management norms to further solidify the management foundation. The Company actively promoted the construction of branches' business continuity system and fully completed the three-level business continuity management system of the Head Office, branches and sub-branches. It improved the management of business continuity drills by normalizing the process, expanding the coverage and strengthening the exercises in practice.

In 2016, the Company will continue to improve the operational risk management system, enhance the operational risk management level, strengthen the assessment and guidance on operational risk management and further carry out operational risk management requirements.

5. Explanation on status of other risks

Other risks faced by the Company mainly consist of internal control & compliance risk, IT risk, reputational risk and country risk.

In respect of internal control & compliance risk: During the reporting period, the Company continuously conducted compliance risk management according to the requirements of the *Guidelines on Compliance Risk Management of Commercial Banks*. First, it continued to strengthen compliance check to make sure all business policies, new products and new businesses conform to regulatory requirement and effectively prevent the compliance risk. Second, it strengthened system management by amending the business policy administrative measures, improving the effectiveness of business policy and constantly completing the policy system. Third, it improved case prevention and anti-money laundering policy system, continued to launch the check of employees' abnormal behaviors and the rotation of key positions, and carried out the requirements on identification of customers and screening of suspicious transactions. Fourth, it staged compliance education activities among all employees, and prepared the *Compilation of Cases on Compliance and Case Prevention Education* and the *List of Don'ts of Hua Xia Bank* which contains 358 internal and external prohibitive articles in order to raise the employees' awareness of compliant operation. Fifth, it reinforced management of compliance performance, improved compliance management assessment system and indicators and guided grassroots institutions to operate normatively in accordance with laws and regulations.

In respect of IT risk: The Company fully implemented the policies, laws and regulations of China's competent and regulatory authorities, and continuously improved IT risk management by optimizing IT rules, strengthening and improving IT risk prevention and control system. The disaster recovery system of "three data centers in two places" ran well. The Company built up a high-speed disaster recovery network connecting data centers and telecom operators and completed the active-active and multiple active-active deployment of counter-based, Internet banking and other important systems at two or more data centers, which further improved the business continuity management level. It continuously rebuilt information systems to increase their high availability, optimized the technical architectures of systems and enhanced the fault-tolerant capability of information systems. The Company developed an intelligent operation & maintenance system, expanded the coverage of monitoring by information systems, applied the technology of Internet of things to strengthen equipment management and deployed automatic management tools at all dimensions to improve the standardization, automation and intelligence of system operation & maintenance. The Company launched innovation in outsourcing risk assessment methodology and control measures, adopted the accountability system in important work and further enhanced the IT risk-resistibility.

In respect of reputational risk: The Company actively managed reputational risk, continued to improve reputational risk management system and promote reputational risk front management, and constantly strengthened identification, assessment, monitoring, control and mitigation of reputational risk. It provided training on reputational risk to all employees aimed at raising their awareness and capability. It also continuously reinforced the setup of public opinion work mechanism and made greater efforts to improve the ability of responding to negative public opinions and guiding public opinions, thus effectively safeguarding the good image and reputation.

In respect of country risk: In 2015, economic and trade growth of the world slowed down and turmoil in certain regions deteriorated. The Company closely monitored the country risk of related countries and regions and conducted country risk rating and reserve fund provisioning. The country risk was controllable overall.

xvi. Innovative products

The Company closely followed the market situation and customer demand, and intensified product R&D and innovation. During the reporting period, it researched and developed 46 new products and solutions serving various customers, and improved seven products. The Company actively followed up on the urbanization of China and innovatively developed the urbanization fund investment product according to the industrial fund investment policy. In harmony with the development of Internet finance, the Company continued to enhance customers' cash management service capability and introduced the brand "Cash Management Toolkit". Besides, through optimizing the supply chain finance system, the Company released the EASY-PEC.COM supply chain finance platform to forcefully carry forward this business. The Company researched and developed three international business products including Internet Banking Remittance Express and Factoring Fund Express. It made debut nine personal banking products, e.g. the reverse mortgage loan "House-for-Pension Scheme" and Card-linked POS for individual business owners. It optimized six small-enterprise banking products including Annually Reviewed Loan and Rental Loan. What's more, the Company actively expanded the agency channels, increased product return and developed Higher Benefit Express product. Leveraging on broader investment channels and more diversified categories of wealth management products, the Company developed four asset management products including Industrial Investment Fund and Foreign-currency Wealth Management. The Product R&D Center, on the strength of product R&D across different lines, offered seven products, e.g. Corporate One Account Express, Cross-border Two-way RMB Fund Pooling, Financial Leasing Linked Factoring and Bill Payment Express.

SECTION V SIGNIFICANT EVENTS

I. PROFIT DISTRIBUTION PLAN/PLAN ON STRENGTHENING OF CAPITAL BASE WITH CAPITAL RESERVE

i. Formulation, implementation or adjustment of cash dividend policy

According to the *Articles of Association of Hua Xia Bank Co., Limited*, the Company can distribute dividends in the form of cash or share or combination of both, and shall maintain the continuity and stability of profit distribution policy. The Company will give priority to the profit distribution in cash. Total profit distributed in the form of cash in the last three years shall be not less than 30% of the annual average distributable profit realized during the period.

The profit distribution plan for 2014 was reviewed and approved at the Annual General Meeting for 2014 and took effect on 8 July 2015. The distribution plan accorded with the Articles of Association, the distribution standard and proportion were definite and clear, and relevant decision-making procedures and mechanism were complete. Independent directors performed their duties and made their due contributions. Minority shareholders were provided with opportunities to fully express their opinions and appeals, and their legal rights and interests were sufficiently safeguarded. Total profit distributed in the form of cash in the last three years was not less than 30% of the annual average distributable profit realized during the period.

ii. Profit distribution plan and plan on strengthening of capital base with capital reserve in the recent three years (including the reporting period)

(Unit: RMB1 million)

Distribution year	Bonus shares distributed per ten shares	Dividends distributed per ten shares (RMB, before tax)	Shares recapitalized per ten shares	Cash dividend (before tax)	Net profit of the year	Percentage (%)
2015	–	3.63	–	3,879	18,581	20.88
2014	–	4.35	2	3,874	17,795	21.77
2013	–	4.35	–	3,874	15,485	25.02

According to the *Administrative Measures for Reserve Fund Provisions of Financial Enterprises* (C.J.[2012] No. 20) released by the Ministry of Finance and the *Articles of Association of Hua Xia Bank Co., Limited*, the Company made statutory surplus reserve based on the net profit audited by the accounting firm, set aside general reserve from net profit at the end of the year to cover unidentified possible losses, and distributed ordinary share dividends to shareholders based on the distributable profit audited by the accounting firm. The profit distribution plan for 2015 of the parent company is set forth below:

1. RMB1,858,117,353.89 or 10% of the net profit of 2015 (RMB18,581,173,538.86) as audited by the accounting firm is set aside as statutory surplus reserve.

2. Pursuant to the *Administrative Measures for Reserve Fund Provisions of Financial Enterprises* (C.J. [2012] No. 20) released by MOF, the balance of general reserve shall not be less than 1.5% of the balance of assets exposed to risks and losses at the end of the period. Full amount shall be set aside in not more than five years. RMB2,843 million is to be set aside as general reserve for 2015.

3. Ordinary share dividends are to be distributed to shareholders in addition to statutory profit distribution in comprehensive consideration of return on shareholders' investments, regulatory requirement on capital adequacy ratio and better promotion of the Company's sustainable development. With 10,685,572,211 shares outstanding at the end of 2015 as the base, a total of RMB3,873,519,926.42 will be distributed in cash at RMB3.63 (before tax) per 10 shares. The retained profits of 2015 will be used in replenishing capital and distributed in coming years.

The above-mentioned profit distribution plan shall be implemented within two months after the Annual General Meeting for 2015 of the Company reviews and approves it.

II. PERFORMANCE OF COMMITMENTS

i. During the reporting period, the Company or its shareholders having a stake of 5% or higher in the Company did not make any commitments that may impose any material impact on operating results or financial position of the Company.

ii. Shareholders of the Company, namely Shougang Corporation, State Grid Yingda International Holdings Corporation, Ltd. and Deutsche Bank Luxembourg S.A., committed not to transfer the Company's shares acquired at this offering within five years following the delivery date of the Company's non-public offering in 2011; share transfer at maturity and qualifications of the transferee for shareholder shall be subject to the consent of regulators as per relevant laws and regulations.

Committed by	Shougang Corporation, State Grid Yingda International Holdings Corporation, Ltd. and Deutsche Bank Luxembourg S.A.
Commitment type	Restrictions on sales of shares of re-financing
Commitment	They committed not to transfer the Company's shares acquired at this offering within five years following the delivery date of the Company's non-public offering in 2011; and share transfer upon maturity and qualifications of the transferee for shareholder shall be subject to the consent of regulators as per relevant laws and regulations.
Commitment date	26 April 2011
Commitment term	Five years
Performance status	Under performance

III. FUND OCCUPANCY AND RECOVERY DURING THE REPORTING PERIOD

During the reporting period, as audited and assured by Deloitte Touche Tohmatsu Certified Public Accountants LLP, no funds of the Company were occupied for non-operating purposes by controlling shareholder and other related parties.

IV. EXPLANATION ON THE NONSTANDARD AUDITOR'S REPORT

Not applicable.

V. ENGAGEMENT AND REMOVAL OF INTERMEDIARIES

The Company engaged Deloitte Touche Tohmatsu Certified Public Accountants LLP as the external auditor of the 2015 financial statements with an audit fee of RMB4.38 million and as the auditor of internal controls in 2015 with an audit fee of RMB1.05 million. Deloitte Touche Tohmatsu Certified Public Accountants LLP has provided audit service for the Company for three years.

VI. MATERIAL LEGAL PROCEEDINGS AND ARBITRATIONS

During the reporting period, the Company was not involved in any material legal proceedings or arbitrations. As at 31 December 2015, the Company had 357 pending lawsuits involving RMB10 million or above individually, totaling RMB11,202 million, of which four cases that involved RMB151 million were brought against the Company. The Company has made full provisions for anticipated liabilities that may arise from pending lawsuits against the Company.

VII. PENALTY IMPOSED ON THE COMPANY, AS WELL AS ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS AND SHAREHOLDERS HOLDING OVER 5% SHARES

In May 2015, the Company received a *Written Decision on Case-filing by the Beijing Commission for Discipline Inspection*, stating the Beijing Commission for Discipline Inspection would place the discipline-breaking case of Mr. Wang Yaoting, Senior Vice President of the Company, on file.

VIII. CREDIT STANDING OF THE COMPANY'S CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

Not applicable.

IX. STOCK INCENTIVE PLAN, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVE MEASURES OF THE COMPANY AND INFLUENCE THEREOF

Not applicable.

X. MATERIAL RELATED PARTY TRANSACTIONS

i. Loans to shareholders with a stake of 5% or higher

Loans to shareholders with a stake of 5% or higher in the Company at the end of the reporting period are shown below:

(Unit: RMB1 million)

Shareholder subject to restrictions on sales	Number of shares held	Outstanding loans at end of 2015	Outstanding loans at end of 2014
Shougang Corporation	2,166,607,843	6,020	6,020

ii. Material related party transactions

1. Outstanding loans to shareholders with a stake of 5% or higher in the Company and the related companies controlled by them at the end of the reporting period, with individual amounts of RMB30 million or above, are shown below (with deduction of the amount of margin deposits, pledged certificates of deposit and treasury bonds):

(Unit: RMB1 million)

Related party	Outstanding loans at end of 2015	% of total loans
Shougang Corporation	6,020	0.60
Guiyang Shougang Special Steel Co., Ltd.	600	0.06
Jilin Tonggang Mining Co., Ltd.	250	0.03
Bazhou Kaihong Mining Co., Ltd.	150	0.02
Kuche County Tianyuan Cocking Co., Ltd.	140	0.01
Beijing West Industries Co., Ltd.	120	0.01
Beijing Shougang Alliance of Xingang Science & Trade Co., Ltd.	100	0.01
Shougang Yili Iron & Steel Co., Ltd.	90	0.01

2. At the end of the reporting period, the Company held RMB1,550 million bonds of State Grid Corporation which was related to State Grid Yingda International Holdings Corporation, Ltd.

3. At the end of the reporting period, the Company issued non-financing guarantees worth RMB11,509,200 (with deduction of the amount of margin deposits, pledged certificates of deposit and treasury bonds) and banker's acceptance bills of RMB800 million (with deduction of the amount of margin deposits, pledged certificates of deposit and treasury bonds) and provided discounts of RMB224,414,800 (with deduction of the amount of margin deposits, pledged certificates of deposit and treasury bonds) to Shougang Corporation. The Company issued banker's acceptance bills of RMB89.5 million (with deduction of the amount of margin deposits, pledged certificates of deposit and treasury bonds) to Shandong Shougang Steel Trade Co., Ltd. and banker's acceptance bills of RMB11.5 million (with deduction of the amount of margin deposits, pledged certificates of deposit and treasury bonds) to Shougang Penglong

Steel Co., Ltd., both of which are related to Shougang Corporation. The Company issued letters of credit of RMB450 million, RMB185,608,500 equivalent, RMB100 million equivalent, RMB70.6 million equivalent and RMB30 million (with deduction of the amount of margin deposits, pledged certificates of deposit and treasury bonds) to Jilin Tonggang Mining Co., Ltd., Tonggang Group Import & Export Co., Ltd., Tonghua Iron and Steel Co., Ltd., Shougang Changzhi Iron & Steel Co., Ltd. and Beijing Shougang Alliance of Xingang Science & Trade Co., Ltd. respectively, all of which are related to Shougang Corporation. The Company issued banker's acceptance bills of RMB14,119,700 (with deduction of the amount of margin deposits, pledged certificates of deposit and treasury bonds) to Shandong LNINT Co., Ltd. which is related to State Grid Yingda International Holdings Corporation, Ltd. The Company issued guarantees of RMB15 million (with deduction of the amount of margin deposits, pledged certificates of deposit and treasury bonds) to China Electric Power Equipment and Technology Co., Ltd. which is related to State Grid Yingda International Holdings Corporation, Ltd. The Company conducted foreign exchange trading of RMB194,736,000 equivalent (with deduction of the amount of margin deposits, pledged certificates of deposit and treasury bonds) with Deutsche Bank (China) Co., Ltd. which is related to Deutsche Bank Aktiengesellschaft. The Company handled exporter's factoring business of RMB4,219,300 equivalent (with deduction of the amount of margin deposits, pledged certificates of deposit and treasury bonds) for Deutsche Bank Aktiengesellschaft. The Company granted outstanding loans of RMB225 million to Yunnan Anjin Highway Development Co., Ltd. which is related to Hongta Tobacco (Group) Co., Ltd., representing 0.02% of total loans.

4. At the end of the reporting period, the Company disbursed outstanding loans of RMB7,738 million to its related companies, accounting for 0.77% of total loans. The Company's related loans had no overdue or default interest. Considering quantity, structure, quality and potential exposures of those related party transactions, the existing related loans would not exert material impact on the Company's normal operation.

iii. Management, pricing principle and basis of related party transactions

During the reporting period, pursuant to the *Administrative Measures for Related party Transactions between Commercial Banks and Their Insiders or Shareholders* released by CBRC, the Company further tightened the management and control of related party transaction risks, reasonably controlled limits of related party transactions and proactively adjusted the transaction structures. These moves helped to further improve related party transaction management and effectively control related party transaction risks. The Company strictly implemented the CBRC's *Administrative Measures for Related party Transactions between Commercial Banks and Their Insiders or Shareholders*, and conducted related party transactions in accordance with the commercial principle and based on the pricing principle and basis that the condition is not lower than that of similar non-related party transactions.

XI. MATERIAL CONTRACTS AND PERFORMANCE OF OBLIGATIONS THEREUNDER

i. Material custody, contract and lease

Not applicable.

ii. Material guarantee

Except for financial guarantees within the business scope as approved by CBRC, the Company had no material guarantees to be disclosed during the reporting period.

iii. Entrusting others to manage cash assets

Not applicable.

iv. Other material contracts

Not applicable.

XII. INDEPENDENT OPINIONS OF INDEPENDENT DIRECTORS ON EXTERNAL GUARANTEES

Pursuant to applicable regulations and requirements of China Securities Regulatory Commission, Independent Directors of the Company reviewed the external guarantees of the Company in 2015 on a fair, impartial and objective basis. Specific review opinions are hereby given below:

The external guarantee service of the Company is a part of the ordinary banking services within the business scope of the Company as approved by the People's Bank of China and China Banking Regulatory Commission. At the end of the reporting period, outstanding guarantees of the Company amounted to RMB16,091 million, a decrease of RMB5,172 million compared with the end of previous year.

The Company enhanced guarantee risk management by including guarantee activities into centralized credit facility management, conducting stringent due diligence, approval and management, and strengthening risk identification, assessment, monitoring and control, which had effectively controlled guarantee risks. During the reporting period, external guarantee service of the Company was run normally without any non-compliance.

XIII. FULFILLMENT OF SOCIAL RESPONSIBILITIES

For details, please refer to the *2015 Social Responsibility Report of Hua Xia Bank Co., Limited* disclosed by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) and the website of the Company (www.hxb.com.cn).

XIV. INDEX OF INFORMATION DISCLOSURES

Matter	Published in (journals)	Date of publication	Published on (website)
Announcement on Resolutions of the Eighth Meeting of the Seventh Board of Directors of Hua Xia Bank Co., Limited	<i>China Securities Journal, Shanghai Securities News, Securities Times</i>	26 March 2015	http://www.sse.com.cn
Announcement on Related Party Transactions of Hua Xia Bank Co., Limited	Ditto	26 March 2015	Ditto
Announcement on Resignation of Independent Director of Hua Xia Bank Co., Limited	Ditto	15 April 2015	Ditto
Announcement on Resignation of External Supervisor of Hua Xia Bank Co., Limited	Ditto	15 April 2015	Ditto
Announcement on 2014 Annual Report of Hua Xia Bank Co., Limited	Ditto	17 April 2015	Ditto
Announcement on Resolutions of the Ninth Meeting of the Seventh Board of Directors of Hua Xia Bank	Ditto	17 April 2015	Ditto
Announcement on Resolutions of the Seventh Meeting of the Seventh Board of Supervisors of Hua Xia Bank	Ditto	17 April 2015	Ditto
Announcement on Private Offering Plan of Preference Shares of Hua Xia Bank	Ditto	17 April 2015	Ditto
Announcement of Hua Xia Bank on Amendments to the Articles of Association	Ditto	17 April 2015	Ditto
Notice of Hua Xia Bank on Holding the Annual General Meeting for 2014	Ditto	17 April 2015	Ditto
Announcement on Advance Notice about the Explanation Session of Cash Dividend Distribution of Hua Xia Bank	Ditto	24 April 2015	Ditto
Announcement on 2015 First Quarterly Report of Hua Xia Bank Co., Limited	Ditto	30 April 2015	Ditto
Announcement on Resolutions of the 10th Meeting of the Seventh Board of Directors of Hua Xia Bank Co., Limited	Ditto	30 April 2015	Ditto
Announcement of Hua Xia Bank Co., Limited	Ditto	05 May 2015	Ditto
Announcement of Hua Xia Bank Co., Limited	Ditto	08 May 2015	Ditto
Indicative Announcement of Hua Xia Bank Co., Limited on Online Voting for Annual General Meeting for 2014	Ditto	12 May 2015	Ditto

Matter	Published in (journals)	Date of publication	Published on (website)
Announcement on Resolutions of Annual General Meeting for 2014 of Hua Xia Bank Co., Limited	Ditto	13 May 2015	Ditto
Announcement of Hua Xia Bank Co., Limited on Resignation of Employee Supervisor and Office-holding of Newly Elected Employee Supervisor	Ditto	14 May 2015	Ditto
Announcement on Resolutions of the Ninth Meeting of the Seventh Board of Supervisors of Hua Xia Bank Co., Limited	Ditto	28 May 2015	Ditto
Announcement of Hua Xia Bank Co., Limited on Implementing the 2014 Profit Distribution Plan and the Plan on Strengthening the Capital Base with Capital Reserve	Ditto	02 July 2015	Ditto
Announcement of Hua Xia Bank on Approval of Private Offering of Preference Shares and Amendments to the Articles of Association by CBRC	Ditto	03 July 2015	Ditto
Announcement of Hua Xia Bank Co., Limited on the Largest Shareholder Promising Not to Reduce Shareholding	Ditto	14 July 2015	Ditto
Announcement on Resolutions of the 11th Meeting of the Seventh Board of Directors of Hua Xia Bank Co., Limited	Ditto	16 July 2015	Ditto
Announcement on Resignation of Vice Chairman of Hua Xia Bank Co., Limited	Ditto	16 July 2015	Ditto
Announcement on Resignation of Vice President of Hua Xia Bank Co., Limited	Ditto	05 August 2015	Ditto
Announcement on Resolutions of the 12th Meeting of the Seventh Board of Directors of Hua Xia Bank Co., Limited	Ditto	08 August 2015	Ditto
Announcement on Resolutions of the 10th Meeting of the Seventh Board of Supervisors of Hua Xia Bank Co., Limited	Ditto	08 August 2015	Ditto
Announcement on 2015 Interim Report of Hua Xia Bank Co., Limited	Ditto	08 August 2015	Ditto
Announcement on Resolutions of the 13th Meeting of the Seventh Board of Directors of Hua Xia Bank Co., Limited	Ditto	31 October 2015	Ditto
Announcement on 2015 Third Quarterly Report of Hua Xia Bank Co., Limited	Ditto	31 October 2015	Ditto

Matter	Published in (journals)	Date of publication	Published on (website)
Announcement on Signing of Strategic Framework Agreement by Hua Xia Bank Co., Limited	Ditto	01 December 2015	Ditto
Indicative Announcement of Hua Xia Bank Co., Limited on Change in Shareholders' Equity	Ditto	29 December 2015	Ditto
Condensed Report on Equity Change of Hua Xia Bank (Shareholding Reducer)	Ditto	29 December 2015	Ditto
Condensed Report on Equity Change of Hua Xia Bank (Shareholding Increaser)	Ditto	29 December 2015	Ditto
Announcement on Resolutions of the 14th Meeting of the Seventh Board of Directors of Hua Xia Bank Co., Limited	Ditto	31 December 2015	Ditto
Announcement of Hua Xia Bank on Approval of the Application for Private Offering of Preference Shares by the Issuance Examination Committee of CSRC	Ditto	31 December 2015	Ditto

SECTION VI DETAILS OF CHANGES IN ORDINARY SHARES AND SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

i. Changes in shares

1. Table on Changes in Shares

(Unit: Share)

	Pre-change		Increase/ Decrease (+,-)	Post-change	
	Number	Percentage (%)	Increase through capital reserve transfer	Number	Percentage (%)
I.Shares subject to restrictions on sales	2,416,956,698	27.14	483,391,340	2,900,348,038	27.14
1.State-owned shares					
2.Shares held by state-owned corporations	1,747,863,960	19.63	349,572,792	2,097,436,752	19.63
3.Shares held by other domestic investors					
Of which:					
Shares held by domestic non-state-owned corporations					
Shares held by domestic natural persons					
4.Shares held by foreign investors	669,092,738	7.51	133,818,548	802,911,286	7.51
Of which:					
Shares held by foreign corporations	669,092,738	7.51	133,818,548	802,911,286	7.51
Shares held by foreign natural persons					
II.Shares not subject to restrictions on sales	6,487,686,811	72.86	1,297,537,362	7,785,224,173	72.86
1.RMB-denominated ordinary shares	6,487,686,811	72.86	1,297,537,362	7,785,224,173	72.86
2.Foreign shares listed domestically					
3.Foreign shares listed overseas					
4.Others					
III.Total number of shares	8,904,643,509	100.00	1,780,928,702	10,685,572,211	100.00

2. Explanation on Changes in Shares

In July 2015, with 8,904,643,509 shares outstanding as the base, the Company used the capital reserve to strengthen the capital base at two shares transferred per ten shares. Then, the Company's total share capital was increased to 10,685,572,211 shares.

3. Influence of Share Changes on Financial Indicators Including Earnings Per Share and Net Assets Per Share in the Past Year and During the Recent Period

In July 2015, with 8,904,643,509 shares outstanding as the base, the Company used the capital reserve to strengthen the capital base at two shares transferred per ten shares. Then, the Company's total share capital was increased by 1,780,928,702 shares to 10,685,572,211 shares, which would affect the number of outstanding ordinary shares but not the amount of owner's equity. At the end of 2014, if calculated at the shares outstanding before capital reserve transfer, basic earnings per share stood at RMB2.02 and net assets per share attributable to equity holders of the listed company amounted to RMB11.39; if calculated at the shares outstanding after capital reserve transfer, basic earnings per share was RMB1.68 and net assets per share attributable to equity holders of the listed company was RMB9.49. At the end of 2015, basic earnings per share stood at RMB1.77 and net assets per share attributable to equity holders of the listed company amounted to RMB11.01. Basic earnings per share were calculated according to the *Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No.9 – Computation and Disclosure of Return on Net Assets and Earnings per Share (Revision 2010)*.

ii. Changes in shares subject to restrictions on sales

(Unit: Share)

Shareholder subject to restrictions on sales	Number of shares subject to restrictions on sales at the beginning of the year	Number of shares released from restrictions on sales during the year	Increase of shares subject to restrictions on sales in the year (Refer to Note 2 for details)	Number of shares subject to restrictions on sales at the end of the year	Reason for restrictions on sales	Date on which shares become tradable
Shougang Corporation	898,565,511	0	179,713,102	1,078,278,613	(Refer to notes for details)	—
State Grid Yingda International Holdings Corporation, Ltd.	849,298,449	0	169,859,690	1,019,158,139	(Refer to notes for details)	—
Deutsche Bank Luxembourg S.A.	669,092,738	0	133,818,548	802,911,286	(Refer to notes for details)	—
Total	2,416,956,698	0	483,391,340	2,900,348,038	—	—

Notes:

1. In April 2011, the Company privately placed 1,859,197,460 shares subject to restrictions on sales to Shougang Corporation, State Grid Yingda International Holdings Corporation, Ltd. and Deutsche Bank Luxembourg S.A., which subscribed 691,204,239 shares, 653,306,499 shares and 514,686,722 shares respectively. The shares that the said investors subscribed are locked for 60 months from 26 April 2011. The Company will apply to Shanghai Stock Exchange for circulation of these shares on 26 April 2016. In July 2013, with 6,849,725,776 shares outstanding as the base, the capital reserve was used to strengthen the capital base at three shares transferred per ten shares, resulting in an increase of 2,054,917,733 shares including 557,759,238 shares subject to restrictions on sales.

2. In July 2015, with 8,904,643,509 shares outstanding as the base, the capital reserve was used to strengthen the capital base at two shares transferred per ten shares, resulting in an increase of 1,780,928,702 shares including 483,391,340 circulating shares subject to restrictions on sales.

II. SECURITIES ISSUE AND OFFERING

i. Securities issue as at the end of the reporting period

Not applicable.

ii. Changes in the total number of shares and shareholder structure as well as the Company's asset & liability structure

In July 2015, with 8,904,643,509 shares outstanding as the base, the Company used the capital reserve to strengthen the capital base at two shares transferred per ten shares. The Company's total share capital was increased by 1,780,928,702 shares. This capital reserve transfer did not cause any change in the shareholder structure and the structure of assets and liabilities.

iii. Individual employee stock ownership

Not applicable.

III. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLER

i. Number of shareholders and shareholdings

(Unit: Share)

Total number of shareholders at the end of the reporting period	122,470	Total number of shareholders at the end of the month immediately before disclosing date of this Annual Report				120,804	
Shareholdings of the top 10 shareholders							
Shareholder subject to restrictions on sales	Nature of shareholder	Percentage (%)	Number of shares held by shareholders	Increase/ decrease during the reporting period	Number of shares subject to restrictions on sales that were held	Number of pledged or frozen shares	
						Share status	Number
Shougang Corporation	State-owned legal person	20.28	2,166,607,843	361,101,307	1,078,278,613	None	
State Grid Yingda International Holdings Corporation, Ltd.	State-owned legal person	18.24	1,948,793,952	324,798,992	1,019,158,139	None	
Deutsche Bank Luxembourg S.A.	Foreign legal person	9.28	991,671,286	165,278,548	802,911,286	None	
Deutsche Bank Aktiengesellschaft	Foreign legal person	8.21	877,302,599	146,217,100	0	None	
Hongta Tobacco (Group) Co., Ltd.	State-owned legal person	4.37	467,376,000	77,896,000	0	None	
China Securities Finance Corporation Limited	State-owned legal person	2.96	316,703,475	316,703,475	0	None	
SAL.OPPENHEIM JR.& CIE. AG & CO. KOMMANDITG ESELLSCHAFT AUF AKTIEN	Foreign legal person	2.50	267,072,000	44,512,000	0	None	
Runhua Group Co., Ltd.	Domestic non-state-owned legal person	2.13	227,760,000	26,960,000	0	Pledged	218,239,454
Shanghai Giant Lifetech Co., Ltd.	Domestic non-state-owned legal person	1.31	139,726,583	23,287,764	0	Pledged	133,000,000
Central Huijin Asset Management Co., Ltd.	State-owned legal person	1.30	139,097,300	139,097,300	0	None	

Shareholdings of the top 10 shareholders not subject to restrictions on sales		
Shareholder subject to restrictions on sales	Number of shares not subject to restrictions on sales that were held	Type of shares
Shougang Corporation	1,088,329,230	RMB-denominated ordinary shares
State Grid Yingda International Holdings Corporation, Ltd.	929,635,813	RMB-denominated ordinary shares
Deutsche Bank Aktiengesellschaft	877,302,599	RMB-denominated ordinary shares
Hongta Tobacco (Group) Co., Ltd.	467,376,000	RMB-denominated ordinary shares
China Securities Finance Corporation Limited	316,703,475	RMB-denominated ordinary shares
SAL.OPPENHEIM JR.& CIE. AG & CO. KOMMANDITGESELLSCHAFT AUF AKTIEN	267,072,000	RMB-denominated ordinary shares
Runhua Group Co., Ltd.	227,760,000	RMB-denominated ordinary shares
Deutsche Bank Luxembourg S.A.	188,760,000	RMB-denominated ordinary shares
Shanghai Giant Lifetech Co., Ltd.	139,726,583	RMB-denominated ordinary shares
Central Huijin Asset Management Co., Ltd.	139,097,300	RMB-denominated ordinary shares
Remarks on the connected relation or concerted action of the above shareholders	During the reporting period, among the above-mentioned top 10 shareholders, Deutsche Bank Luxembourg S.A. was a wholly-owned subsidiary of Deutsche Bank Aktiengesellschaft. Deutsche Bank Aktiengesellschaft completed the delivery of 100% shares of Sal. Oppenheim jr. & Cie. S.C.A. which holds 100% interests of SAL.OPPENHEIM JR.& CIE. AG & CO. KOMMANDITGESELLSCHAFT AUF AKTIEN on 15 March 2010. For details, please refer to the provisional announcement of the Company on 18 March 2010. The Company has no knowledge of any other connected relations among other shareholders.	

Notes:

1. Deutsche Bank Aktiengesellschaft, Deutsche Bank Luxembourg S.A. and SAL.OPPENHEIM JR.& CIE. AG & CO. KOMMANDITGESELLSCHAFT AUF AKTIEN signed the *Share Transfer Agreement* with PICC Property and Casualty Company Limited on 28 December 2015, whereby the former three companies agreed to transfer combined 2,136,045,885 ordinary A-shares of the Company, or about 19.99% of total shares issued by the Company. This transaction is to go through the approval procedures with regulatory authorities according to law.

2. SAL.OPPENHEIM JR.& CIE.KOMMANDITGESELLSCHAFT AUF AKTIEN has changed its name to SAL.OPPENHEIM JR.& CIE. AG & CO. KOMMANDITGESELLSCHAFT AUF AKTIEN.

3. In July 2015, with 8,904,643,509 shares outstanding as the base, the Company used the capital reserve to strengthen the capital base at two shares transferred per ten shares. Then, the Company's total share capital was increased to 10,685,572,211 shares.

ii. Number of shares subject to restrictions on sales held by top ten shareholders and restrictions on sales

(Unit: Share)

No.	Shareholder subject to restrictions on sales	Number of shares subject to restrictions on sales that were held	Particulars of trading of shares subject to restrictions on sales		Restrictions on sales
			Tradable time	Number of new tradable shares	
1	Shougang Corporation	1,078,278,613	2016.04.26	1,078,278,613	The Company privately offered 1,859,197,460 circulating shares subject to restrictions on sales. The shares all investors subscribed to will be locked for 60 months from 26 April 2011. The Company will apply to SSE for trading of those privately offered shares from 26 April 2016.
2	State Grid Yingda International Holdings Corporation, Ltd.	1,019,158,139	2016.04.26	1,019,158,139	The Company privately offered 1,859,197,460 circulating shares subject to restrictions on sales. The shares all investors subscribed to will be locked for 60 months from 26 April 2011. The Company will apply to SSE for trading of those privately offered shares from 26 April 2016.
3	Deutsche Bank Luxembourg S.A.	802,911,286	2016.04.26	802,911,286	The Company privately offered 1,859,197,460 circulating shares subject to restrictions on sales. The shares all investors subscribed to will be locked for 60 months from 26 April 2011. The Company will apply to SSE for trading of those privately offered shares from 26 April 2016.

iii. Particulars of shareholders holding over 5% shares of the Company

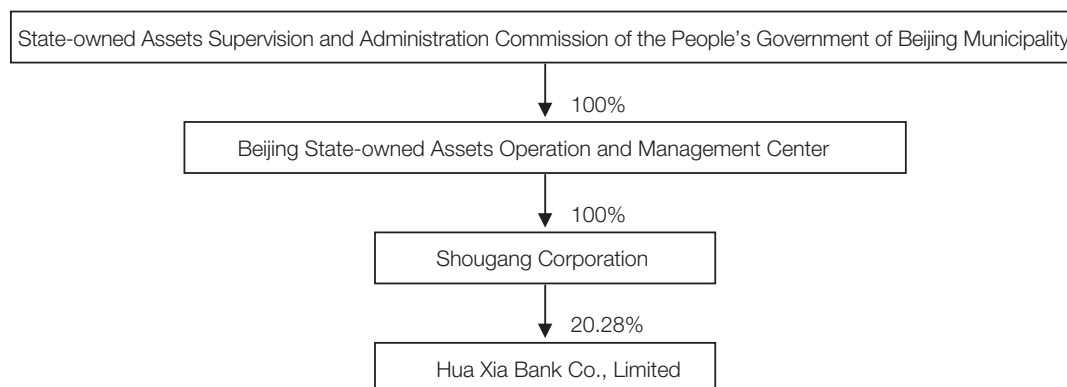
The Company has no controlling shareholder or de facto controller. Shougang Corporation is the largest shareholder of the Company.

At the end of the reporting period, shareholders holding over 5% shares of the Company were Shougang Corporation (20.28%), State Grid Yingda International Holdings Corporation, Ltd. (18.24%), Deutsche Bank Luxembourg S.A. (9.28%) and Deutsche Bank Aktiengesellschaft (8.21%).

1. Shougang Corporation

Founded on 15 October 1992, Shougang Corporation grew out of Shijingshan Steel and Iron Works which was established in 1919 and reorganized into Shougang Group in September 1996. As the parent company of Shougang Group, Shougang Corporation operated all the assets of Shougang Group. On 2 August 1999, Shougang Corporation, as a state-owned asset investment entity authorized by the People's Government of Beijing Municipality, was restructured into a solely state-owned company as approved by the State Economic and Trade Commission and the People's Government of Beijing Municipality. With organizational code 10112000-1, Shougang Corporation has a registered capital of RMB7,263.94 million and its legal representative is Jin Wei. Shougang Corporation is a large enterprise group with the operation covering different industries, regions and countries. Its core businesses include industries, construction, geologic exploration, transportation, foreign trade, telecommunication, finance and insurance, scientific research and comprehensive technologic service, domestic commerce, public catering, material supply and sales, warehouse, real estate, residential service, consultation, leasing, agriculture, forestry, husbandry, fishery (except for those without special license) and authorized management of state-owned assets.

The equity relationship between the Company and Shougang Corporation as the largest shareholder is illustrated below:



2. State Grid Yingda International Holdings Corporation, Ltd.

State Grid Yingda International Holdings Corporation, Ltd. (abbreviated as “State Grid Yingda Group Company” and formerly known as “SGCC Asset Management Co., Ltd.”), founded on 18 October 2007, is a wholly-owned subsidiary of State Grid Corporation of China with a registered capital of RMB19 billion and Fei Shengying as its legal representative. Its organizational code is 710935089. It mainly deals with investment and asset operation and management, asset custody; services in corporate restructuring, M&A, strategic placement, start-up business; investment advisory and consultation etc.

3. Deutsche Bank Luxembourg S.A.

Deutsche Bank Luxembourg S.A. was registered in Luxembourg as a limited liability company with a registered capital of EUR3,959 million. Its CEO is Boris N. Liedtke. This wholly-owned subsidiary of Deutsche Bank Aktiengesellschaft is mainly engaged in propriety and agency banking and financial services in Luxembourg or at abroad and provides insurance brokerage services and other directly or indirectly related businesses via officially licensed natural persons. It is also authorized to involve in equity participation in and set up branches for other enterprises whose registered office is located in Luxembourg or other countries.

4. Deutsche Bank Aktiengesellschaft

Deutsche Bank Aktiengesellschaft, incorporated in Frankfurt, Germany, is a limited liability company, with a registered capital of EUR3,531 million. Mr. John Cryan and Mr. Jürgen Fitschen serve as its CEO jointly. As a universal bank, Deutsche Bank is mainly engaged in banking businesses by itself or through its subsidiaries or related companies, and provides services concerning capital, fund management, real estate finance, financing, research and consultation. As long as permitted by law, it is authorized to deal with various transactions, take all measures helpful to realize its objectives, especially in respect of the purchase and assignment of real estate, establishment of branches both at home and abroad, purchase, management and sales of its interests in other enterprises and conclusion of agreements with them.

iv. Special explanation on the Company without controlling shareholder

The Company has no controlling shareholder. Shougang Corporation is the largest shareholder of the Company.

v. Special explanation on the Company without de facto controller

The Company has no de facto controller. Shougang Corporation is the largest shareholder of the Company.

SECTION VII PREFERENCE SHARES

The Company intended to privately issue preference shares of no more than RMB200 million to raise no more than RMB20 billion in total for the purpose of improving the capital structure, raising the capital adequacy ratio and enhancing the sustainability power. All the raised funds, after deducting the issuing cost, will be used to replenish other tier 1 capital of the Company. The proposal on the preference share issue has been reviewed and approved by the Board of Directors and the Shareholders' General Meeting on 15 April and 12 May 2015 respectively.

On 30 June 2015, the CBRC approved the preference share issue in its *Approval of Private Offering of Preference Shares and Amendments to the Articles of Association by Hua Xia Bank* (Y.J.F. [2015] No.427); on 30 December 2015, the Issuance Examination Committee of the CSRC reviewed and approved the preference share issue; on 23 February 2016, the CSRC approved the preference share issue. On 23 March 2016, the Company privately offered 200 million preference shares to 12 qualified investors at a face value of RMB100 per share, raising a total of RMB20 billion.

For the proposal and details, please refer to the announcement made by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) and the website of the Company (www.hxb.com.cn).

SECTION VIII BASIC INFORMATION ON DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS AND EMPLOYEES

I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

i. Changes in shares held by directors, supervisors and senior management members and their remunerations during the reporting period

Name	Position	Gender	Date of birth	Tenure	Shares held at the beginning of the year	Shares held at the end of the year	Increase/decrease of shares during the reporting period	Remuneration (in RMB10,000) (before tax) paid by the Company during the reporting period	Equity incentives granted by the Company during the reporting period	Paid by related party of the Company (yes/no)
Wu Jian	Chairman	Male	1954	26 December 2008 – 27 February 2017	0	0	0	46.80	None	No
	Director			19 July 2001 – 27 February 2017						
Li Ruge	Vice Chairman	Male	1963	28 September 2007 – 27 February 2017	0	0	0	9.00	None	Yes
Zou Libin	Director	Male	1967	27 February 2014 – 27 February 2017	0	0	0	5.20	None	Yes
Ding Shilong	Director	Male	1963	28 September 2007 – 27 February 2017	0	0	0	10.20	None	Yes
Christian K. Ricken	Director	Male	1966	30 October 2010 – 29 January 2016	0	0	0	9.00	None	Yes
Li Jianbo	Director	Male	1965	27 February 2014 – 27 February 2017	0	0	0	9.00	None	Yes
Fan Dazhi	Director	Male	1964	28 September 2007 – 27 February 2017	0	0	0	46.80	None	No
	President			26 December 2008 – 27 February 2017						
Liu Chunhua	Director	Female	1970	27 February 2014 – 27 February 2017	0	0	0	42.12	None	No
	Chief Audit Officer			From 26 December 2013 on						
Ren Yongguang	Director, Vice President	Male	1959	30 October 2010 – 27 February 2017	0	0	0	42.12	None	No
Zhao Junxue	Director	Male	1958	10 September 2002 – 27 February 2017	0	0	0	212.00	None	No
	Secretary to the Board			10 August 2002 – 27 February 2017						
Zeng Xiangquan	Independent Director	Male	1955	30 October 2010 – 27 February 2017	0	0	0	21.40	None	No
Yu Changchun	Independent Director	Male	1952	30 October 2010 – 27 February 2017	0	0	0	22.60	None	No

Name	Position	Gender	Date of birth	Tenure	Shares held at the beginning of the year	Shares held at the end of the year	Increase/decrease of shares during the reporting period	Remuneration (in RMB10,000) (before tax) paid by the Company during the reporting period	Equity incentives granted by the Company during the reporting period	Paid by related party of the Company (yes/no)
Xiao Wei	Independent Director	Male	1960	27 February 2014 – 27 February 2017	0	0	0	22.00	None	No
Chen Yonghong	Independent Director	Male	1962	27 February 2014 – 27 February 2017	0	0	0	22.00	None	No
Yang Delin	Independent Director	Male	1962	27 February 2014 – 27 February 2017	0	0	0	22.00	None	No
Wang Huacheng	Independent Director	Male	1963	27 February 2014 – 27 February 2017	0	0	0	22.00	None	No
Cheng Yanhong	Chairman of the Board of Supervisors	Female	1958	29 June 2004 – 27 February 2017	0	0	0	46.80	None	No
Li Liangang	Supervisor	Male	1968	30 October 2010 – 27 February 2017	0	0	0	7.80	None	Yes
Tian Ying	Supervisor	Female	1965	28 September 2007 – 27 February 2017	0	0	0	6.00	None	Yes
Cheng Chen	Supervisor	Female	1975	28 September 2007 – 27 February 2017	0	0	0	6.00	None	Yes
Zhu Wei	External Supervisor	Male	1965	27 February 2014 – 27 February 2017	0	0	0	17.20	None	No
Lin Xin	External Supervisor	Male	1966	12 May 2015 – 27 February 2017	0	0	0	12.47	None	No
Wu Changqi	External Supervisor	Male	1955	12 May 2015 – 27 February 2017	0	0	0	11.87	None	No
Ma Yuanju	External Supervisor	Male	1957	12 May 2015 – 27 February 2017	0	0	0	13.07	None	No
Sun Tongjun	Employee Supervisor	Male	1961	12 May 2015 – 27 February 2017	0	0	0	116.60	None	No
Li Qi	Employee Supervisor	Male	1958	19 July 2001 – 27 February 2017	0	0	0	116.60	None	No
Wang Liying	Employee Supervisor	Female	1962	27 February 2014 – 27 February 2017	0	0	0	116.60	None	No
Li Xiang	Vice President	Male	1957	28 September 2007 – 27 February 2017	0	0	0	42.12	None	No
Guan Wenjie	Principal of Financial Affairs	Male	1970	27 February 2014 – 27 February 2017	0	0	0	116.60	None	No
Fang Jianyi	Former vice chairman	Male	1953	29 March 2001 – 14 July 2015	0	0	0	5.20	None	/
	Former director			18 November 1995 – 14 July 2015						
Pei Changhong	Former independent director	Male	1954	30 October 2010 – 13 April 2015	0	0	0	6.33	None	/
Gao Peiyong	Former external supervisor	Male	1959	30 October 2010 – 13 April 2015	0	0	0	4.73	None	/
Qi Yudong	Former external supervisor	Male	1966	30 October 2010 – 13 April 2015	0	0	0	4.73	None	/
Lu Zhifang	Former external supervisor	Male	1953	27 February 2014 – 13 April 2015	0	0	0	5.33	None	/
Li Guopeng	Former employee supervisor	Male	1955	27 September 2007 – 11 May 2015	0	0	0	61.63	None	/
	Former chairman of the Labor Union			13 October 2007 – 14 February 2015						
Huang Jinlao	Former vice president	Male	1972	30 October 2010 – 03 August 2015	0	0	0	24.90	None	/
Wang Yaoting	Former vice president	Male	1963	28 September 2007 – 07 May 2015	0	0	0	14.04	None	/
Total	/	/	/	/	/	/	/	1,320.86	/	/

Notes:

1. The allowance in total remuneration received by directors and supervisors from the Company during the reporting period was determined according to the *Regulations of Hua Xia Bank Co., Limited on Allowance of Directors and Supervisors*.
2. Director Zou Libin received his director's allowance from the Company from January to July 2015, and then voluntarily gave up such allowance from August 2015 on.
3. From January 2015 on, remunerations of the Chairman, presidents, Chairman of the Board of Supervisors and other principals of the Company are subject to the policy of Beijing government on reform of remunerations of executives of local state-owned enterprises.
4. Pre-tax remunerations of the Chairman, presidents, Chairman of the Board of Supervisors, Employee Supervisors and other senior management members serving in the Company are under confirmation and will be disclosed thereafter.

The rest part of pre-tax remunerations for 2014:

Name	Position	The rest part of pre-tax remunerations for 2014 (RMB10,000)
Wu Jian	Chairman	40.28
Fan Dazhi	Director, President	40.28
Liu Chunhua	Director, CAO	32.86
Ren Yongguang	Director, Vice President	32.86
Li Xiang	Vice President	32.86
Zhao Junxue	Director, Secretary to the Board of Directors	32.86
Cheng Yanhong	Chairman of the Board of Supervisors	40.28
Li Qi	Employee Supervisor	118.81
Wang Liying	Employee Supervisor	81.71
Guan Wenjie	Principal of Financial Affairs	102.26
Li Guopeng	Former employee supervisor	32.86
Zhang Guowei	Former employee supervisor	95.24
Huang Jinlao	Former vice president	32.86
Song Jiqing	Former principal of financial affairs	116.37
Wang Yaoting	Former vice president	—

Notes:

1. Part of remunerations paid to the above persons during the reporting period has been disclosed in the Annual Report 2014, and the rest part of pre-tax remunerations for 2014 is hereby disclosed. The remuneration of Wang Yaoting for 2014 is still being confirmed.

2. Pursuant to relevant policy, risk security deposits of incumbent Chairman, Presidents, Chairman of the Board of Supervisors and other senior management members shall be delayed in payment. The total risk security deposits subject to delayed payment in 2014 are RMB7,736,800 and not paid to those individuals yet.

ii. Positions of directors and supervisors in shareholder entities during the reporting period

Name	Shareholder entity	Position	Tenure
Zou Libin	Shougang Corporation	Chief of Budget and Finance Department	Since September 2011
Christian K. Ricken	Deutsche Bank	Chief Operating Officer of Private & Business Clients, Member of Group Executive Committee	October 2008 – January 2016
Li Liangang	Runhua Group Co., Ltd.	Director	July 2009 – May 2015
Tian Ying	Huaxing Power Co., Ltd.	Chairman	Since May 2015

iii. Main work experiences of directors, supervisors and senior management members and their positions or concurrent jobs in other entities

Wu Jian, Chairman of the Board of Directors, male, was born in March 1954. He holds a bachelor's degree and is a senior administration engineer and senior economist. He previously served as Deputy Head of the Equipment Credit Division of Beijing Branch of Industrial and Commercial Bank of China ("ICBC"), Deputy Head and Head of Chaoyang District Office of Beijing Branch of ICBC, Deputy General Manager and Member of Leading Party Group and then General Manager and Secretary of Leading Party Group of Beijing Branch of Bank of Communications, Member of Leading Party Group, Head of Discipline Inspection Team, Vice President and Member of the Party Committee of Bank of Communications; and Director, President and Deputy Secretary of the Party Committee of Hua Xia Bank. He currently serves as Chairman and Secretary of the Party Committee of Hua Xia Bank.

Li Ruge, Vice Chairman, male, was born in August 1963. He holds a master's degree and is a senior accountant. He served as Deputy Director, Director and Member of the Party Committee of Shandong Heze Power Plant, General Manager and Member of the Party Committee of Shandong Power Supply Bureau Fuel Company, Head of the Financial Department of Shandong Power Supply Bureau, Vice Chief Accountant, Chief Accountant, Deputy General Manager and Member of the Party Committee of Shandong Power Group Corporation, Vice Chief Accountant of China Guodian Corporation, Chairman of State Grid Yingda International Trust Investment Corporation, Vice Chief Accountant, Head of the Financial Department and Head of the Fund Management Center of State Grid Corporation of China. He currently serves as Chief Accountant and Member of Leading Party Group of State Grid Corporation of China.

Zou Libin, Director, male, was born in September 1967. He holds a master's degree and is a senior accountant. He was ever a clerk of Malaysia Division of International Trade Department, JV Division of overseas Headquarters, JV Division of International Trade Department and Foreign Economic Division of Economic and Trade Department of Shougang, a professional of JV Management Division of Industrial Development Department of Shougang. Then he served as Assistant to Chief and Deputy Chief of Listed Company Management Division of Capital Operation Department of Shougang Corporation, Deputy Division Chief of Bodi Investment Co., Ltd., Deputy Chief of Treasury Division of Budget and Finance Department of Shougang Xingang Co., Ltd., and Assistant to Head and Head of Capital Operation Department and Head of Investment Management Department of Shougang Corporation. He currently serves as Head of Budget and Finance Department of Shougang Corporation.

Ding Shilong, male, was born in July 1963. He is a PhD in management and a senior accountant. He served as Deputy Chief and Chief of the General Financial Section of Henan Power Industry Bureau, Deputy Head of the Financial Division, Assistant Consultant (holding a temporary leading post) of Electric Regulation Division and State-owned Asset Supervision Division of the Electric Power Department and Associate Chief Accountant and Head of the Financial Division of Henan Power Company (Bureau). He later became Chief Accountant of Henan Power Company, Chairman of Henan Kaixiang Electric Power Industrial Holding Co., Ltd., Deputy Head of the Financial Asset Management Department of State Grid Corporation of China, Deputy General Manager and Member of Leading Party Group of SGCC Asset Management Co., Ltd., Deputy General Manager and Member of Leading Party Group of State Grid Yingda International Holdings Corporation, Ltd., and Member of Leading Party Group, Deputy General Manager and Chief Accountant of State Grid Jibei Electric Power Company Limited. He currently serves as the Secretary General of Enterprise Management Association of SGCC.

Christian K. Ricken, Director, German, male, was born in December 1966. He is a PhD in political economy. He previously worked in financial department of Deutsche Bank and then served as Chief Director and Managing Director of Group Planning Division, Chief Director of Strategic and Controlling Division and Investment and Controlling Division, Global Director of Private & Business Clients (PBC) Finance Division, and Chief Financial Officer of PBC and acting Global Director of deposit & payment products, Chief Operating Officer of PBC and Member of PBC Executive Committee. Mr. Christian K. Ricken has resigned from the post of the Company's director on 29 January 2016.

Li Jianbo, Director, male, was born in June 1965. He holds a bachelor's degree and is a senior accountant. He was ever Deputy Chief and Chief of Planning and Statistics Section of Yuxi Cigarette Factory, and Deputy Chief Economist, Chief Economist, Director, Chairman of the Board of Supervisors and Vice President of Hongta Tobacco (Group) Co., Ltd. He currently serves as Chairman of the Board of Directors of Yunnan Hongta Group, as well as Director and Executive Deputy General Manager of Yunnan Hehe (Group) Co., Ltd.

Fan Dazhi, Director and President, male, was born in September 1964. He is a PhD and senior accountant. He ever taught at Dongbei University of Finance and Economics, and served as General Manager of the Head Office of Investment Bank of Beijing International Trust and Investment Co, Ltd., Member of the Leading Party Group and Deputy Head of Beijing Overseas Financing and Investment Management Center, Member of the Leading Party Group, Director and Deputy General Manager of Beijing State-owned Assets Management Co., Ltd., Vice Secretary of the Party Committee, Director and General Manager of Beijing Securities Co., Ltd., Chairman of the Board of Supervisors of UBS Securities Company Limited, and Director, Deputy Secretary of the Party Committee, Vice President and Executive Vice President of Hua Xia Bank. He currently serves as Chairman, President and Deputy Secretary of the Party Committee of Hua Xia Bank.

Liu Chunhua, Director, Chief Audit Officer, female, was born in January 1970. She holds a master's degree and is a senior economist. She was ever Deputy Chief (divisional level) of Planning and Treasury Division of Jiangxi International Trust and Investment Corporation; Full-time Discipline Inspector of Discipline Inspection Team of Leading Party Group (divisional level) and Deputy Director of Inspection Office, General Manager of Human Resources Department, Deputy Leader of Preparatory Group of Hua Xia Bank Fund Company, Director of Inspection Office and Deputy Secretary of the Party Discipline Committee of Hua Xia Bank. She once temporarily served as Assistant to Director of Business Innovation Supervision & Cooperation Department of CBRC. She currently serves as Director, Member of the Party Committee, Secretary of the Party Discipline Committee and Chief Audit Officer of Hua Xia Bank.

Ren Yongguang, Director, Vice President, male, was born in December 1959. He holds a bachelor's degree and is a senior economist. He used to be Deputy Head and Head of Foreign Fund Management Division, Head of Foreign Exchange Management Division, Director of Executive Office and Head of Plan Fund Division of Beijing Branch of the People's Bank of China ("PBOC"), Head of Credit Management Division of Business Management Department, Deputy Director and Member of Leading Party Group of Business Management Department of the PBOC, member of the Preparation Team for and Deputy Director General and Member of Leading Party Group of CBRC Beijing Office, Director, Vice President and Deputy Secretary of the Party Committee of Hua Xia Bank. He currently serves as Director, Vice President, Member of the Party Committee and Chairman of the Labor Union of Hua Xia Bank.

Zhao Junxue, Director, Secretary to the Board, male, was born in April 1958. He holds a master's degree and is a senior economist. He served as Assistant to General Manager of South Branch of China National Packaging Corporation, Deputy General Manager and General Manager of Yuehai Finance Holding Co., Ltd., and Secretary of Leading Party Group and General Manager of Shenzhen Branch of Hua Xia Bank. He currently serves as Director and Secretary to the Board of Directors of Hua Xia Bank.

Zeng Xiangquan, Independent Director, male, was born in November 1955. He is a PhD in economics, professor and tutor to PhD students. He was the Dean of the School of Labor and Human Resources of Renmin University of China. Now, he is a professor of the School of Labor and Human Resources of Renmin University of China.

Yu Changchun, Independent Director, male, was born in February 1952. He is a PhD and professor. He used to be associate professor, dean of the teaching-research section and Deputy Dean of the Accounting Department of Jilin Finance and Trade College; Dean, professor and MA student adviser of the Accounting Department of Changchun Taxation College; Director of Teaching and Research Center, Professor and tutor to PhD students of Beijing National Accounting Institute. Now, he is a professor of Beijing National Accounting Institute.

Xiao Wei, Independent Director, male, was born in December 1960. He holds a master's degree and once Director of Hainan Office of China Legal Affairs Center. He established Jun He Law Offices in Beijing in 1989 and is the Offices' Director and Partner now.

Chen Yonghong, Independent Director, male, was born in December 1962. He holds a bachelor's degree and is a Chinese CPA and senior accountant. He was ever Senior Staff Member and Principal Staff Member of Investment Audit Division of Hunan Audit Office; Deputy Director and Director of Hunan Auditors Office and Chairman of the Board of Directors and Chief Accountant of Baker Tilly China. Now, he is Chief Partner of Baker Tilly China Certified Public Accountants and Chairman of Tianzhi Engineering Project Management Co., Ltd.

Yang Delin, Independent Director, male, was born in April 1962. He is a PhD and professor. He once taught Physics at No. 2 Middle School of Xiangfan and Hubei Provincial Supply and Marketing Institute, was an engineer of (Planning Division) and Assistant Researchers of Mathematics Department Office of Department Co-office of Wuhan Institute of Physics, Chinese Academy of Sciences; held a temporary post of Deputy Director/Member of Party Leading Group of Lanzhou Economic Commission; and Lecturer and Associate Professor of School of Economics and Management of Tsinghua University. Now, he is a professor of School of Economics and Management of Tsinghua University.

Wang Huacheng, Independent Director, male, was born in January 1963. He is a PhD and professor. He was once Teaching Assistant, Lecturer, Associate Professor and Deputy Director of Accounting Department and Vice Dean of School of Business of Renmin University of China. Now, he is a professor and tutor to PhD students of School of Business of Renmin University of China.

Cheng Yanhong, Chairperson of the Board of Supervisors, female, was born in February 1958. She holds a bachelor's degree and is a senior accountant. She served as Deputy Head of the General Affairs Division, Deputy Head and Head of the Debt Division, Member of Leading Party Group and Deputy Director General of Beijing Municipal Bureau of Finance, Secretary of the Party Committee and General Manager of Beijing Securities Co., Ltd., Deputy Secretary and Secretary of the Beijing Finance Working Committee, Head of the Finance Office of Beijing Municipal Government, Chairman of the Board of Supervisors, Deputy Secretary of the Party Committee and Secretary of the Party Discipline Committee of Hua Xia Bank. She currently serves as Chairman of the Board of Supervisors and Deputy Secretary of the Party Committee of Hua Xia Bank.

Li Liangang, Supervisor, male, was born in May 1968. He holds a bachelor's degree and is a senior economist. He used to be Deputy General Manager of the Finance Department of Shandong Office, and General Manager of the Shandong Securities Operations Department of China New Technology Venture Capital Company, Head of the Corporate Banking Division of Jinan Branch of Hua Xia Bank Co., Limited, Deputy Director of the Board of Directors' Office, Director of the Board of Directors' Office and Director of the President's Office, Director, Secretary of the Board of Directors and Chief Financial Officer of Runhua Group. Now, he works at Runhua Group Co., Ltd.

Tian Ying, Supervisor, female, was born in April 1965. She holds a master's degree and is a senior accountant. She previously taught at Beijing Finance College and was Manager of the Fund and Finance Department, Chief Accountant and Deputy General Manager of Beijing Sanjili Energy Co., Ltd. Now, she is Chairman of Huaxing Power Co., Ltd.

Cheng Chen, Supervisor, female, was born in March 1975. She holds an EMBA degree. She previously served as Deputy General Manager of Shanghai Giant Biotech Co., Ltd. Now, she is Vice General Manager of Giant Investment Co., Ltd. and Chairman of Green Giant Energy Co., Ltd.

Zhu Wei, External Supervisor, male, was born in August 1965. He holds a master's degree and is a senior economist and Chinese CPA. He was ever Deputy Division Chief of Industrial Transportation Department and Economic and Trade Department of the Ministry of Finance, Director and Deputy General Manager of Zhong Sheng Environmental Protection Technology Development and Investment Co., Ltd. Now, he is Chief Partner of Jonten Certified Public Accountants.

Lin Xin, External Supervisor, male, was born in October 1966. He is a PhD and lawyer. He previously was a lawyer at China Legal Affairs Center. Now, he is partner of Duebound Law Firm.

Wu Changqi, External Supervisor, male, was born in June 1955. He holds a PhD degree and is a professor. He was Director of the Center of Executive Master of Business Administration (EMBA) Degree Program and Vice Dean of the Guanghua School of Management of Peking University and a part-time professor of HKUST Business School. Now, he is a professor teaching strategic management at the Guanghua School of Management of Peking University, Director of National Hi-tech Industrial Development Zone Development Strategy Research Institute of Peking University, Director of Guanghua Leadership Research Institute of Peking University and Executive Vice Director of International Operation & Management Research Institute of Peking University.

Ma Yuanju, External Supervisor, male, was born in March 1957. He is a PhD and professor. He taught accounting and did scientific research work at Zhuhai Radio & TV University. Now, he is a professor at the Accounting School of Capital University of Economics and Business.

Sun Tongjun, Employee Supervisor, male, was born in November 1961. He holds a master's degree and is a senior economist. He served as Head and Party Committee Secretary of Agricultural Bank of China Penglai Sub-branch and Vice Head and Party Committee Member of Agricultural Bank of China Yantai Branch. When he joined Hua Xia Bank, he was successively Head and Party Committee Secretary of Yantai Sub-branch, Head and Party Committee Secretary of Shenyang Branch and Head and Party Committee Secretary of Ji'nan Branch. Now, he is Employee Supervisor, Internal Control & Compliance Director and General Manager of Internal Control & Compliance Department of Hua Xia Bank.

Li Qi, Employee Supervisor, male, was born in August 1958. He holds a bachelor's degree and is a senior economist. He once was a teacher of the Law Department of Shandong University, Deputy General Manager of Rural Credit Cooperative of China in Shandong and Deputy General Manager of Shandong Yingtai Group Corporation. He took several positions in Hua Xia Bank, including Head of the Audit and Compliance Department of Ji'nan Branch, Member of the Discipline Inspection Committee, General Manager of Legal Affairs Department and Special Assets Resolution Department, Secretary of the Party Committee and General Manager of Chongqing Branch, Employee Supervisor, General Manager of Audit Department and Member of the Discipline Inspection Committee, as well as Employee Supervisor, General Manager Candidate of Audit Department and Member of the Discipline Inspection Committee of Hua Xia Bank. He currently serves as Employee Supervisor and Member of the Discipline Inspection Committee of Hua Xia Bank.

Wang Liying, Employee Supervisor, female, was born in May 1962. She holds a bachelor's degree and is a senior accountant. She was ever Deputy Director of Taiyuan Audit Office of Shanxi Branch of China Construction Bank, Chief of Budget and Finance Division & Director of Bills Center of Taiyuan Sub-branch of Hua Xia Bank, Vice President and Member of Party Committee of Taiyuan Branch of Hua Xia Bank, Vice President and Member of Party Committee of Tianjin Branch of Hua Xia Bank, Deputy General Manager and General Manager of Compliance Department of Hua Xia Bank, as well as Employee Supervisor, Director of Inspection Office and Deputy Secretary of the Party Discipline Committee of Hua Xia Bank. She currently serves as Employee Supervisor of Hua Xia Bank.

Li Xiang, Vice President, male, was born in December 1957. He holds a master's degree and is a senior economist. He served as Secretary of deputy division level of General Office of Jiangsu Provincial Government and took several positions in Hua Xia Bank, including Head of the Banking Department, Member of the Leading Party Group, Deputy General Manager, Secretary of the Leading Party Group (the Party Committee) and General Manager of Nanjing Branch, and Assistant to President (concurrently General Manager of the Corporate Banking Department) of Hua Xia Bank. He currently serves as Vice President and Member of the Party Committee of Hua Xia Bank.

Guan Wenjie, Principal of Financial Affairs, male, was born in October 1970. He holds a master's degree and is a senior accountant. He was once Deputy Chief (in charge of specific work) and Chief of Budget & Finance Division of Qingdao Sub-branch of Hua Xia Bank, General Manager of Budget & Finance Department of Qingdao Branch of Hua Xia Bank, Vice President and Member of Party Committee of Qingdao Branch of Hua Xia Bank, President and Secretary of Party Committee of Qingdao Branch of Hua Xia Bank and General Manager of Accounting Department of Hua Xia Bank. Now, he is Principal of Financial Affairs, CFO, General Manager of Budget and Finance Department and General Manager of Financial Market Department of Hua Xia Bank.

Name	Position or concurrent position in other entities excluding shareholder entities
Wu Jian	None
Li Ruge	Chief Accountant and Member of Leading Party Group of State Grid Corporation of China
Zou Libin	Director of Beijing Jingxi Venture Capital Fund Management Co., Ltd., Director of Beijing Shougang Construction Investment Co., Ltd., Director of Shougang Shuicheng Iron & Steel (Group) Co., Ltd., Supervisor of Beijing Shougang Fund Management Co., Ltd., Supervisor of China Bond Insurance Corporation, Director of Shougang Group Finance Co., Ltd.
Ding Shilong	Secretary General of Enterprise Management Association of SGCC, Director of State Grid Yingda Chang'an Insurance Brokers Group Co., Ltd.
Christian K. Ricken	None
Li Jianbo	Director and Executive Deputy General Manager of Yunnan Hehe (Group) Co., Ltd., Chairman of Yunnan Hongta Group, Chairman of Yunnan Hongta Sports Center Co., Ltd., Vice Chairman of Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd., Director of Hongta Securities Co., Ltd.
Fan Dazhi	None
Liu Chunhua	None
Ren Yongguang	Chairman of Huaxia Financial Leasing Co., Ltd.
Zhao Junxue	None
Zeng Xiangquan	Professor of the School of Labor and Human Resources, Renmin University of China, Independent Director of Beijing Science Park Development (Group) Co., Ltd., Independent Director of China Film Group Corporation
Yu Changchun	Professor of Beijing National Accounting Institute, Independent Director of China National Heavy Duty Truck Group Co., Ltd., Executive Member of Accounting Society of China, Executive Member of China Cost Research Society
Xiao Wei	Director and Partner of Jun He Law Offices, Independent Director of Yantai Changyu Pioneer Wine Company Limited
Chen Yonghong	Chief Partner of Baker Tilly China Certified Public Accountants, Chairman of Tianzhi Engineering Project Management Co., Ltd., Independent Director of Inner Mongolia Jinyu Group Corporation Limited
Yang Delin	Professor of Tsinghua University School of Economics and Management, Independent Director of Changjiang Publishing & Media Co., Ltd., Deputy Secretary General of Chinese Society of Technology Economics, Executive Vice Chairman of Chinese Institute of Business Administration
Wang Huacheng	Professor of School of Business of Renmin University of China
Cheng Yanhong	None
Li Liangang	Director of Shandong Juya Environmental Protection Co., Ltd.

Name	Position or concurrent position in other entities excluding shareholder entities
Tian Ying	None
Cheng Chen	Vice General Manager of Giant Investment Co., Ltd., Chairman of Green Giant Energy Co., Ltd., Director of Guangxi Beibu Gulf Bank Co., Ltd., Supervisor of Linzhi Minsheng Village Bank
Zhu Wei	Chief Partner of Jonten Certified Public Accountants, Independent Director of Beijing JoinCheer Co., Ltd., Independent Director of East China Pharmaceuticals Co., Ltd.
Lin Xin	Partner of Duebound Law Firm.
Wu Changqi	Professor teaching strategic management at the Guanghua School of Management of Peking University, Director of National Hi-tech Industrial Development Zone Development Strategy Research Institute of Peking University, Director of Guanghua Leadership Research Institute of Peking University, Executive Vice Director of International Operation & Management Research Institute of Peking University, Non-executive Director of Qingdao Haier Co., Ltd., Independent Director of Beijing Electronics Zone Investment and Development Co., Ltd., Independent Director of Tianjin Keyvia Electric Co., Ltd.
Ma Yuanju	Professor at the Accounting School of Capital University of Economics and Business, Independent Director of Sound Global Limited, Independent Director of Jinhe Biotechnology Co., Ltd., Independent Director of Beijing HanjianHeshan Co., Ltd.
Sun Tongjun	None
Li Qi	Chairman of the Board of Supervisors of Daxing Hua Xia Village Bank, Chairman of the Board of Supervisors of Jiangyou Hua Xia Village Bank, Chairman of the Board of Supervisors of Chenggong Hua Xia Village Bank, Chairman of the Board of Supervisors of Huaxia Financial Leasing Co., Ltd.
Wang Liying	None
Li Xiang	None
Guan Wenjie	Director of Huaxia Financial Leasing Co., Ltd.

iv. Remunerations of directors, supervisors and senior management members during the reporting period

1. Decision-making procedures for remunerations of directors, supervisors and senior management members

The Remuneration and Assessment Committee of the Board of Directors examines annual allowances of directors and supervisors in accordance with the *Regulations of Hua Xia Bank Co., Limited on Allowance of Directors and Supervisors* and in combination with the annual duty performance of directors and supervisors. Relevant announcement is published after review and approval of the Board of Directors.

The Remuneration and Assessment Committee of the Board of Directors studies and proposes bonus allocation plan for senior management members in accordance with the *Administrative Measures for Remunerations of Head Office-level Senior Management of Hua Xia Bank* and the *Working Process of Remunerations and Annual Appraisals of Head Office-level Senior Management of Hua Xia Bank* and in combination with the completion of the Company's major business indicators and the annual appraisal results of senior management. Annual appraisal results and remunerations of senior management members are announced after review and approval of the Board of Directors.

The Remuneration and Assessment Committee of the Board of Directors has examined remuneration data of directors, supervisors and senior management members to be disclosed in the Annual Report 2015 of the Company. In the opinion of the committee, the remunerations of directors, supervisors and senior management members to be disclosed in the Annual Report 2015 of the Company comply with relevant assessment system and remuneration management policy of the Company, and are paid in overall consideration of the prevailing economic conditions, macro-control policy of China as well as actual operation of the Company and its peers, and the disclosure meets requirements of relevant laws and regulations.

2. Basis for determining remunerations of directors, supervisors and senior management members

Remunerations of directors and supervisors are determined on the basis of the *Regulations of Hua Xia Bank Co., Limited on Allowance of Directors and Supervisors* and remunerations of senior management members are determined on the basis of the *Administrative Measures for Remunerations of Head Office-level Senior Management of Hua Xia Bank*.

3. Remunerations payable to directors, supervisors and senior management members

Please refer to the “Changes in shares held by directors, supervisors and senior management members and their remunerations” in this Section for details.

4. Total remunerations actually paid to directors, supervisors and senior management members at the end of the reporting period

At the end of the reporting period, RMB13,208,600 (before tax) was actually paid to all of the directors, supervisors and senior management members.

v. Changes in directors, supervisors and senior management members of the Company

On 13 April 2015, the Board of Directors of the Company received a written resignation report from Independent Director Mr. Pei Changhong. Mr. Pei Changhong resigned from the posts of the Company's independent director and members of relevant committees of the Board of Directors according to applicable provisions.

On 13 April 2015, the Board of Supervisors of the Company received written resignation reports from External Supervisors Mr. Gao Peiyong, Mr. Qi Yudong and Mr. Lu Zhifang. Mr. Gao Peiyong and Mr. Qi Yudong resigned from the posts of the Company's external supervisor and members of relevant committees of the Board of Supervisors according to applicable provisions. And Mr. Lu Zhifang resigned from the posts of the Company's external supervisor and members of relevant committees of the Board of Supervisors due to official reason.

On 7 May 2015, the Board of Directors of the Company received a written resignation report from Mr. Wang Yaoting. Mr. Wang Yaoting resigned from the post of the Company's vice president.

On 11 May 2015, the Board of Supervisors of the Company received a written resignation report from Employee Supervisor Mr. Li Guopeng. Mr. Li Guopeng retired from the posts of the Company's employee supervisor and members of relevant committees of the Board of Supervisors.

On 12 May 2015, the Board of Supervisors of the Company received a resolution from the Employees' Congress, informing that Mr. Sun Tongjun was elected an employee supervisor at the Congress.

On 12 May 2015, the Annual General Meeting for 2014 of the Company elected Mr. Robert Vogtle a director of the Company (his qualification was approved by CBRC on 4 February 2016) and Mr. Lin Xin, Mr. Wu Changqi and Mr. Ma Yuanju external supervisors of the Company.

On 14 July 2015, the Board of Directors of the Company received a written resignation report from Vice Chairman Mr. Fang Jianyi. Mr. Fang Jianyi retired from the posts of the Company's vice chairman, director and members of relevant committees of the Board of Directors.

On 3 August 2015, the Board of Directors of the Company received a written resignation report from Vice President Mr. Huang Jinlao. Mr. Huang Jinlao resigned from the post of the Company's vice president due to personal job transfer.

On 29 January 2016, the Board of Directors of the Company received a written resignation report from Director Mr. Christian K. Ricken. Mr. Christian K. Ricken resigned from the posts of the Company's director and members of relevant committees of the Board of Directors due to personal reason.

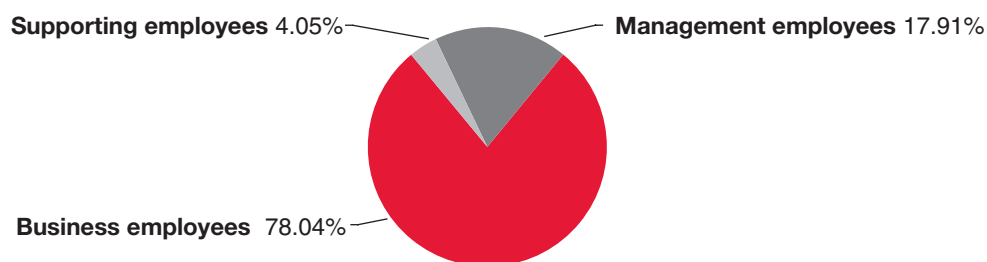
vi. Penalties imposed on directors, supervisors and senior management members of the Company by securities regulatory authority in the past three years

Not applicable.

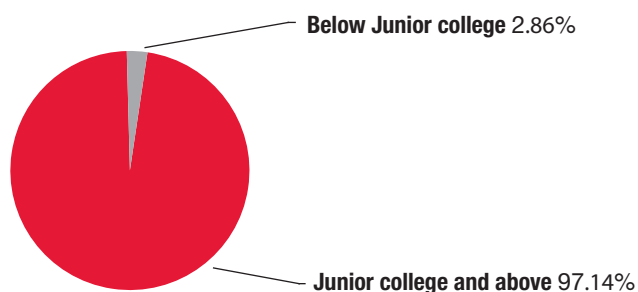
II. EMPLOYEES

At the end of the reporting period, the Group had 34,243 service employees, including 34,023 ones working in the Company and 220 ones working in the major subsidiaries. The Group paid for 356 retired employees.

i. The Company's employees by professional field



ii. The Company's employees by educational background



iii. Remuneration policy and training plan of the Company

During the reporting period, centering on bank-wide development strategy and operation targets, the Company constantly improved performance assessment system, stepped up risk & compliance management, promoted operational transformation and structural adjustment and enhanced incentive and restrictive role of remuneration in a quality and benefit-oriented way.

With a keen attention to employee training, the Company continued to strengthen training of employees at different levels, attached importance to training management and resource buildup and further enhanced employee quality and capability.

SECTION IX CORPORATE GOVERNANCE

I. CORPORATE GOVERNANCE PRACTICE

The Company earnestly implements regulatory requirements on corporate governance, continuously improves corporate governance framework, brings more discipline to the operation of the Shareholders' General Meeting, the Board of Directors, the Board of Supervisors and the Senior Management in accordance with the *Company Law*, the *Commercial Bank Law*, the *Securities Law*, the *Governance Standards of Listed Companies*, the *Guidelines on Corporate Governance of Commercial Banks*, the *Guidelines on the Work of the Board of Supervisors of Commercial Banks* and other relevant laws and regulations. The core objective is to maximize shareholders' long-term value on the premise of respecting and protecting the interests of depositors. The actual condition of corporate governance has no material discrepancies with the normative documents on governance of listed companies released by CSRC.

During the reporting period, the Board of Directors of the Company revised the Articles of Association and the procedural rules on the Shareholders' General Meeting, the Board of Directors and the Board of Supervisors according to the laws, regulations and policies newly issued by regulatory authorities and in combination with the actual management of the Company. To facilitate the preference share issue, the provisions on preference share issue in the Articles of Association were revised. After the capital base was strengthened with capital reserve, the provisions on share capital and registered capital in the Articles of Association were revised. The above-mentioned revisions to the Articles of Association have been approved by the Shareholders' General Meeting and ratified by CBRC, and they further improved the corporate governance system.

II. BRIEFING OF THE SHAREHOLDERS' GENERAL MEETING

During the reporting period, the Company called and held one general meeting and adopted 25 resolutions in strict accordance with the *Rules on the Shareholders' General Meetings of Listed Companies*, the Articles of Association and the procedural rules on the Shareholders' General Meeting. The Company established and improved effective channels of communication with shareholders, increased representation of public shareholders at the general meetings through online voting and ensured equality of shareholders and their full exercise of rights, including the rights to be informed of, participate in and vote on significant matters of the Company.

General Meeting	Date	Website designated for publishing resolutions	Disclosure date
Annual General Meeting for 2014 of Hua Xia Bank Co., Limited	12 May 2015	http://www.sse.com.cn	13 May 2015

III. DUTY PERFORMANCE OF THE DIRECTORS

i. Attendance of directors at board meetings and General Meeting

Director	Independent Director (Yes/no)	Attendance at Board Meeting						Attendance at General Meeting
		Board meetings to be attended this year	Meetings attended in person	Meetings attended by correspondence	Meetings attended by proxy	Absence	Absent from two consecutive meetings (Yes/no)	General Meeting attended
Wu Jian	No	7	7	5	0	0	No	1
Li Ruge	No	7	6	5	1	0	No	0
Zou Libin	No	7	7	5	0	0	No	1
Ding Shilong	No	7	7	5	0	0	No	0
Christian K. Ricken	No	7	7	5	0	0	No	1
Li Jianbo	No	7	7	5	0	0	No	1
Fan Dazhi	No	7	7	5	0	0	No	1
Liu Chunhua	No	7	7	5	0	0	No	0
Ren Yongguang	No	7	7	5	0	0	No	1
Zhao Junxue	No	7	7	5	0	0	No	1
Zeng Xiangquan	Yes	7	7	5	0	0	No	0
Yu Changchun	Yes	7	7	5	0	0	No	0
Xiao Wei	Yes	7	7	5	0	0	No	0
Chen Yonghong	Yes	7	7	5	0	0	No	0
Yang Delin	Yes	7	7	5	0	0	No	1
Wang Huacheng	Yes	7	7	5	0	0	No	0
Fang Jianyi	No	4	4	3	0	0	No	1
Pei Changhong	Yes	1	1	1	0	0	No	0
Number of Board meetings held this year				7				
Of which: Number of onsite meetings				2				
Number of meetings held by correspondence				5				

ii. Dissents of Independent Directors on relevant issues of the Company

During the reporting period, Independent Directors did not raise any dissents on relevant issues of the Company.

During the reporting period, there were six Independent Directors on the Board of Directors of the Company, accounting for over one third of its members. They earnestly attended meetings and reviewed proposals, performed the role of conveners for the Risk and Compliance Management Committee, the Related Party Transactions Control Committee, the Nomination Committee, the Remuneration and Assessment Committee and the Audit Committee and gave professional opinions on corporate governance and operational management activities in the interest of depositors and minority shareholders pursuant to laws, regulations and the Articles of Association.

IV. IMPORTANT OPINIONS AND SUGGESTIONS PROPOSED BY SPECIAL COMMITTEES OF THE BOARD OF DIRECTORS WHEN PERFORMING THEIR DUTIES DURING THE REPORTING PERIOD

During the reporting period, all special committees of the Board of Directors operated in a well-disciplined manner and diligently performed their duties.

The Strategy Committee held three meetings and reviewed the proposals relating to the Committee's annual work plan, the report on implementation of 2013-2016 development program, the report on implementation of green credit and the plan on consumer protection system building.

The Risk and Compliance Management Committee held four meetings and reviewed the proposals relating to the Committee's annual work plan, the report on risk management in 2015, the annual risk management strategy, the amendments to operational risk management policy, the strategic risk management measures (trial), the report on market risk management in 1H 2015, the report on liquidity risk management in 1H 2015, the market risk management policy, the application for increasing bad debt written-off amount and the amendments to bad debt write-off management measures.

The Related Party Transactions Control Committee held one meeting and reviewed the proposals relating to the Committee's annual work plan, the report on implementation of related party transactions management system and related party transactions, as well as credit granting to Shougang Corporation and its related enterprises, State Grid Yingda International Holdings Corporation, Ltd. and its enterprises, Deutsche Bank and its related enterprises, Hongta Group and its related enterprises, and Hua Xia Financial Lease Co., Limited.

The Nomination Committee held one meeting and reviewed the proposal on qualification of independent director candidate.

The Remuneration and Assessment Committee held one meeting and reviewed the proposals relating to the Committee's annual work plan, the 2014 assessment results of senior management members, the bonus pool for Head Office-level senior management members in 2014, the plan on bonus distribution to Head Office-level senior management members in 2014, the return of risk security deposits to Head Office-level senior management members and the disclosure of remunerations of directors, supervisors and senior management members. The Committee appraised the duty performance of senior management members in 2014.

The Audit Committee held five meetings and reviewed the proposals relating to the Committee's annual work plan, the report on duty performance of the Committee in 2014, the Company's regular reports, the amendments to implementation rules on annual assessment of employees in the Audit Department, the final accounts report in 2014, the profit distribution plan in 2014, the plan on strengthening capital base with capital reserve in 2014, the 2014 auditor's report under International Accounting Standards, the 2014 internal control assessment report, the auditor's report on internal control in 2014, the internal audit work report in 2014, the 2015 budget report, the engagement and remuneration of accounting firm in 2015, the internal audit work plan in 2015, the report on internal audit work in 1H 2015, the internal control assessment plan for 2015 and the 2015 performance contract of the Audit Department.

V. EXPLANATION ON THE DETECTION OF THE COMPANY'S RISK EXPOSURES BY THE BOARD OF SUPERVISORS

During the reporting period, the Board of Supervisors supervised duty performance of the Company's directors and senior management members, financial decisions and their implementation, internal control construction and risk management, having no dissents on those matters under supervision.

During the reporting period, the Board of Supervisors held five meetings and adopted 17 resolutions covering the Company's regular reports, financial statements, special inspection reports, internal control assessment report and social responsibility report in accordance with the Articles of Association of the Company and the procedural rules on the Board of Supervisors. It launched seven inspections and surveys, including talk with the leadership, supervision on and inspection of duty performance by directors and senior management members, inspection of unified management of the Company's wealth management business, survey on construction of the Company's comprehensive risk management mechanism, survey on the construction and promotion of marketing system improvement by the Head Office and branches and survey on implementation of the Company's 2013-2016 development program. Besides, it heard the work reports by eight departments of the Head Office and six branches and visited some sub-branches and outlets of Shenzhen Branch, in addition to the survey on buildup of the "Second Bank" by the Company. All Supervisors diligently worked, adequately attended meetings as required, performed supervisory functions pursuant to laws, regulations and the Articles of Association, and organized and participated in special inspections with due diligence. External Supervisors adequately attended meetings, earnestly reviewed proposals and gave independent opinions with due diligence pursuant to laws, regulations and the Articles of Association. They played the role of convener for special committees and organized and participated in special inspections and investigations of the Board of Supervisors.

VI. EXPLANATION ON INABILITY TO ENSURE INDEPENDENCE OR INDEPENDENT OPERATION IN THE ASPECTS OF BUSINESS, PERSONNEL, ASSET, INSTITUTION AND FINANCE BETWEEN THE COMPANY AND ITS CONTROLLING SHAREHOLDER

Not applicable.

VII. ASSESSMENT MECHANISM WITH RESPECT TO THE SENIOR MANAGEMENT MEMBERS AS WELL AS ESTABLISHMENT AND IMPLEMENTATION OF THE INCENTIVE MECHANISM DURING THE REPORTING PERIOD

The Company engages senior management members through external recruitment and internal selection. Senior management members are appointed by the Board of Directors and their qualifications shall be submitted to CBRC for review. Senior management members are overseen in respect of any violation of laws, regulations or the Articles of Association or any misconduct against corporate interests. In addition to an order of correction issued, such violations and misconducts will be reported to the Shareholders' General Meeting or competent authorities of the State where necessary.

During the reporting period, the Remuneration and Assessment Committee of the Board of Directors assessed duty performance of senior management members in 2014 in accordance with the *Measures for Annual Assessment of Head Office-level Senior Management Members of Hua Xia Bank*, including fulfillment of main annual operating indicators of the Company determined by the Board of Directors, performance indicators of senior management members by business/field in charge and directors' appraisals. Senior management members were assessed on the following principles: ensuring realization of planned objectives under the guidance of the development program; combining quantitative and qualitative indicators based on key performance indicators; representing duty matching, deferred payment and risk deduction, considering both team and personal performance of the Senior Management. The Remuneration and Assessment Committee proposed bonus allocation plan for senior management in accordance with the *Administrative Measures for Remunerations of Head Office-level Senior Management Members of Hua Xia Bank*. Besides, the Board of Supervisors and its Supervision Committee assessed performance of duties by senior management members in compliance with laws and regulations in 2014. Assessment results of the Remuneration and Assessment Committee and appraisals of the Board of Supervisors constitute an important basis for performance assessment of senior management members and incentive and restrictive decisions related to senior management members.

VIII. INFORMATION DISCLOSURE AND INVESTOR RELATIONS MANAGEMENT

The Company regulates day-to-day information disclosures pursuant to the State's laws and regulations, regulatory provisions and the Company's policies to effectively protect investors' right to know, ensure authenticity, accuracy, completeness and timeliness of the information disclosed and safeguard investors' interests. During the reporting period, the Company prepared and disclosed four regular reports and 30 interim reports and informed the investors of such significant information as financial data, related party transactions and profit distribution plan on a timely basis.

During the reporting period, the Company further deepened investor relations management. It maintained routine contacts and communications with investors via telephone, fax and e-mail and held such activities as meetings for investors and analysts and online explanatory session on cash dividend distribution to make the Company better known by the market and enhance investors' acceptance of the Company's values.

IX. REPORT ON THE INTERNAL CONTROL SELF-ASSESSMENT

The Board of Directors of the Company assessed the effectiveness of the Company's internal control as at 31 December 2015 in line with the requirements of the *Basic Standard for Enterprise Internal Control* and its supporting guidelines, as well as the *Guidelines for Internal Control of Commercial Banks*. In the opinion of the Board of Directors, the Company has maintained effective internal control over financial reporting in all material aspects in compliance with the requirements of the system of enterprise internal control standards and relevant regulations. During the reporting period, the Company had not any significant or material deficiencies of internal control over financial reporting, nor did it discover any significant or material deficiencies of internal control over non-financial reporting. For details, please refer to the 2015 *Internal Control Assessment Report of Hua Xia Bank Co., Limited* disclosed by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) and the website of the Company (www.hxb.com.cn).

X. EXPLANATION ON AUDITOR'S REPORT ON INTERNAL CONTROL

The Company invited Deloitte Touche Tohmatsu Certified Public Accountants LLP to perform an audit of the effectiveness of internal control over financial reporting of the Company in accordance with the requirements of the *Basic Standard for Enterprise Internal Control* and the *Guideline for Enterprise Internal Control Audit*. The auditor deems that the Company has maintained effective internal control over financial reporting in all material aspects in compliance with the *Basic Standard for Enterprise Internal Control* and relevant regulations. For details, please refer to the *Auditor's Report on Internal Control of Hua Xia Bank Co., Limited* disclosed by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) and the website of the Company (www.hxb.com.cn).

SECTION X FINANCIAL STATEMENTS

I. Auditor's Report (see Appendix)

II. Financial Statements (see Appendix)

III. Changes in Accounting Policies and Estimates and Corrections of Accounting Errors during the Reporting Period

Not applicable.

SECTION XI LIST OF DOCUMENTS FOR INSPECTION

I. Accounting Statements Bearing Seals and Signatures of the Legal Representative, President, and Principal of Financial Affairs.

II. Original of the Auditor's Report Bearing Common Seal of the Accounting Firm and Seals and Signatures of CPAs.

III. Original of the Annual Report Bearing the Signature of Chairman of the Company.

IV. Originals of All Documents and Announcements Disclosed by the Company on the *China Securities Journal*, *Shanghai Securities News* and *Securities Times* during the Reporting Period. And

V. The *Articles of Association of Hua Xia Bank Co., Limited*.

Chairman: Wu Jian

Board of Directors of Hua Xia Bank Co., Limited

15 April 2016

WRITTEN CONFIRMATION OF THE ANNUAL REPORT 2015 BY DIRECTORS AND SENIOR MANAGEMENT MEMBERS OF HUA XIA BANK CO., LIMITED

Pursuant to relevant provisions and requirements of the *Securities Law of the People's Republic of China* and the *Standards Concerning the Contents and Formats of Information Disclosure by Companies that Offer Securities to the Public No. 2 — Contents and Formats of Annual Reports* (Revision 2015), we, in the capacity of Directors and Senior Management Members of Hua Xia Bank Co., Limited, after a full understanding and review of the Annual Report 2015 of the Company and its summary, are in the opinion that:

1. The Company operates in strict compliance with the *Accounting Standards for Business Enterprises* and its application guidelines; the Annual Report 2015 of the Company and its summary present the financial position and operating results of the Company during the reporting period in a fair way.

2. The *Auditor's Report 2015 of Hua Xia Bank Co., Limited* issued by Deloitte Touche Tohmatsu Certified Public Accountants LLP is true, objective and impartial.

We undertake that the information contained in the Annual Report 2015 of the Company and its summary is authentic, accurate and complete without any false record, misleading statement or material omission, and assume individual and joint and several liabilities to the authenticity, accuracy and completeness of the information herein.

15 April 2016

Name	Position	Signature
Wu Jian	Chairman	
Li Ruge	Vice Chairman	
Zou Libin	Director	
Ding Shilong	Director	
Robert Vogtle	Director	
Li Jianbo	Director	
Fan Dazhi	Director, President	

Name	Position	Signature
Liu Chunhua	Director, CAO	
Ren Yongguang	Director, Vice President	
Zhao Junxue	Director, Secretary to the Board of Directors	
Zeng Xiangquan	Independent Director	
Yu Changchun	Independent Director	
Xiao Wei	Independent Director	
Chen Yonghong	Independent Director	
Yang Delin	Independent Director	
Wang Huacheng	Independent Director	
Li Xiang	Vice President	
Guan Wenjie	Principal of Financial Affairs	

AUDIT REPORT

D.SH.B. (SH) Z. (16) No. P1589

To the shareholders of Hua Xia Bank Co., Limited,

We have audited the financial statements of Hua Xia Bank Co., Limited (the "Bank"), which comprise bank and consolidated balance sheet as at 31 December 2015, bank and consolidated income statement, bank and consolidated statement of cash flows and bank and consolidated statement of changes in equity for the year then ended and notes to these financial statements.

I. The Management' Responsibility for the Financial Statements

The Management of the Bank is responsible for the preparation and fair presentation of these financial statements. These responsibilities includes (1) preparing the financial statements that give a true and fair view in accordance with the Accounting Standard for Business Enterprises; and (2) designing, implementing and maintaining necessary internal control to ensure that financial statements are free from material misstatement, whether due to fraud or error.

II. Certificated Public Accountants' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Auditing Standards for Chinese Certified Public Accountants. Those standards require us to comply with the ethical requirements set for Certified Public Accountants of Chinese Institute of Certified Public Accountants, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment on the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, certified public accountants consider internal control relevant to the institution's preparation and fair presentation of financial statements in order to design appropriate audit procedures. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Audit Opinion

In our opinion, the financial statements of the Bank comply with the requirements of the Accounting Standards for Business Enterprises in all material respects and present fairly the bank and consolidated financial position as at 31 December 2015 and the bank and consolidated operating results and cash flows for the year then ended.

Deloitte Touche Tohmatsu Certified Public Accountants LLP
(special general partnership)

Certified Public Accountants
Registered in China

Shanghai, China
15 April 2016

Lv Jing
Liu Xin

BANK AND CONSOLIDATED BALANCE SHEET

31 December 2015

(In RMB millions, unless otherwise stated)

		The Group		The Bank	
	Note VIII	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Assets					
Cash on hand and balances with central banks	1	264,094	292,248	263,832	292,013
Due from banks and other financial institutions	2	49,494	62,666	48,994	62,568
Placements with banks and other financial institutions	3	30,972	19,108	30,972	19,108
Financial assets designated at fair value through profit or loss	4	11,872	9,066	11,872	9,066
Derivative financial assets	5	191	625	191	625
Financial assets held under resale agreements	6	245,297	123,136	245,297	123,136
Interest receivables	7	10,603	9,335	10,592	9,329
Loans and advances to customers	8	1,041,937	916,105	1,004,855	887,839
Available-for-sale financial assets	9	73,200	63,448	73,200	63,448
Held-to-maturity investments	10	194,543	136,277	194,543	136,277
Account receivable held for investment	11	77,460	201,134	77,460	201,134
Long-term equity investment	12	–	–	2,630	2,630
Fixed assets	13	11,252	9,359	11,218	9,347
Intangible assets	14	87	88	85	87
Deferred income tax assets	15	4,570	4,419	4,485	4,378
Other assets	16	5,032	4,614	4,595	4,402
Total assets		2,020,604	1,851,628	1,984,821	1,825,387

BANK AND CONSOLIDATED BALANCE SHEET (CONTINUED)

31 December 2015

(In RMB millions, unless otherwise stated)

		The Group		The Bank	
	Note VIII	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Liabilities					
Due to central banks	18	30,027	20,058	30,000	20,000
Due to banks and other financial institutions	19	270,200	284,340	273,508	284,714
Placements from banks and other financial institutions	20	64,141	42,638	33,646	22,264
Derivative financial liabilities	5	169	556	169	556
Repurchase agreements	21	80,491	40,202	80,491	40,202
Deposits taken	22	1,351,663	1,303,216	1,350,000	1,301,895
Accrued payroll	23	7,525	6,733	7,448	6,672
Taxes and dues payable	24	4,383	4,077	4,326	4,025
Interest payable	25	15,681	17,567	15,433	17,342
Debt obligations payable	26	66,893	23,839	66,893	23,839
Other liabilities	27	11,043	6,303	5,731	2,620
Total liabilities		1,902,216	1,749,529	1,867,645	1,724,129
Equity					
Share capital	28	10,686	8,905	10,686	8,905
Capital reserve	29	28,762	30,543	28,761	30,542
Other comprehensive income	42	1,292	81	1,292	81
Surplus reserve	30	7,913	6,134	7,913	6,134
General reserve	31	21,451	17,100	21,427	17,100
Retained profit	32	47,574	38,695	47,097	38,496
Total equity attributable to shareholders of the parent company		117,678	101,458	117,176	101,258
Minority shareholders' equity		710	641	–	–
Total shareholders' equity		118,388	102,099	117,176	101,258
Total liabilities and equity		2,020,604	1,851,628	1,984,821	1,825,387

The accompanying notes are an integral part of these financial statements

The financial statements on pages 95-205 are signed by:

Legal representative:
Wu Jian

President:
Fan Dazhi

Principal of Financial Affairs:
Guan Wenjie

Seal

BANK AND CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

(In RMB millions, unless otherwise stated)

	Note VIII	The Group		The Bank	
		2015	2014	2015	2014
I. Operating income		58,844	54,885	57,901	54,137
Net interest income	33	46,083	46,241	45,468	45,755
Interest income		91,324	94,362	89,461	92,945
Interest expense		(45,241)	(48,121)	(43,993)	(47,190)
Net fee and commission income	34	12,372	7,652	12,092	7,389
Fee and commission income		13,435	8,681	13,131	8,401
Fee and commission expenses		(1,063)	(1,029)	(1,039)	(1,012)
Investment gains/(losses)	35	122	580	122	580
Gains/(losses) from the changes in fair value	36	65	182	65	182
Exchange gain	37	128	208	128	208
Other operating income		74	22	26	23
II. Operating expenses		(33,910)	(30,994)	(33,433)	(30,523)
Business tax and surcharges	38	(4,311)	(3,885)	(4,283)	(3,857)
General and administrative expenses	39	(20,601)	(20,622)	(20,411)	(20,452)
Asset impairment loss	40	(8,979)	(6,276)	(8,720)	(6,003)
Other business costs		(19)	(211)	(19)	(211)
III. Operating profit		24,934	23,891	24,468	23,614
Plus: Non-operating income		331	172	305	139
Less: Non-operating expenses		(60)	(60)	(60)	(58)
IV. Total profit		25,205	24,003	24,713	23,695
Less: Income tax expense	41	(6,253)	(5,980)	(6,132)	(5,900)
V. Net profit		18,952	18,023	18,581	17,795
Net Profit attributable to the parent company		18,883	17,981	18,581	17,795
Minority shareholders' gain/loss		69	42	–	–
V. After-tax other comprehensive income	42	1,211	1,931	1,211	1,931
i. Other comprehensive income not to be classified as profit/loss		–	–	–	–
ii. Other comprehensive income to be classified as profit/loss					
1. Profit/loss from changes in fair value of available-for-sale financial assets		1,211	1,931	1,211	1,931
After-tax other comprehensive income attributable to shareholders of the parent company		1,211	1,931	1,211	1,931
After-tax other comprehensive income attributable to minority shareholders		–	–	–	–
VII. Total comprehensive income		20,163	19,954	19,792	19,726
Total comprehensive income attributable to shareholders of the parent company		20,094	19,912	19,792	19,726
Total comprehensive income attributable to minority shareholders		69	42	–	–
VIII. Earnings per share					
Basic earnings per share (RMB yuan)	43	1.77	1.68		

The accompanying notes are an integral part of these financial statements

BANK AND CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

(In RMB millions, unless otherwise stated)

		The Group		The Bank	
	Note VIII	2015	2014	2015	2014
Cash flows from operating activities					
Net increase in customer deposits and due to banks and other financial institutions		34,307	130,978	36,899	130,209
Net increase in due to central banks		9,969	20,028	10,000	20,000
Net decrease in balances with central banks and due from banks and other financial institutions		30,224	–	30,119	–
Net increase in placements from banks and other financial institutions and financial assets under reverse repurchase agreements		61,792	–	51,671	–
Net decrease in placements with banks and other financial institutions and financial assets under reverse repurchase agreements		–	26,340	–	26,340
Proceeds from interest and fee & commission		83,961	78,681	81,799	76,983
Other proceeds received related to operating activities		2,659	3,345	278	478
Sub-total of cash inflows from operating activities		222,912	259,372	210,766	254,010
Net increase in loans and advances to customers		(134,728)	(120,776)	(125,653)	(103,844)
Net decrease in placements from banks and other financial institutions and financial assets under reverse repurchase agreements		–	(12,582)	–	(25,260)
Net increase in balances with central banks and due from banks and other financial institutions		–	(40,484)	–	(40,480)
Net increase in placements with banks and other financial institutions and financial assets under reverse repurchase agreements		(12,215)	–	(12,215)	–
Cash paid as interest and fee & commission expenses		(46,419)	(42,720)	(45,170)	(41,944)
Cash paid to and for employees		(11,704)	(9,475)	(11,600)	(9,402)
Taxes and dues paid		(10,948)	(10,255)	(10,755)	(10,149)
Other cash paid related to operating activities		(5,292)	(10,198)	(4,328)	(10,105)
Sub-total of cash outflows from operating activities		(221,306)	(246,490)	(209,721)	(241,184)
Net cash flows from operating activities	45	1,606	12,882	1,045	12,826
Cash flows from investing activities					
Proceeds from disposal of investments		219,078	102,422	219,078	102,422
Investment gains received		19,652	23,082	19,652	23,082
Net gains on disposal of fixed assets, intangible assets and other long-term assets		153	159	153	159
Sub-total of cash inflows from investing activities		238,883	125,663	238,883	125,663
Acquisition of investments		(164,522)	(143,629)	(164,522)	(143,629)
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(2,997)	(2,201)	(2,970)	(2,197)
Sub-total of cash outflows from investing activities		(167,519)	(145,830)	(167,492)	(145,826)
Net cash flows from investing activities		71,364	(20,167)	71,391	(20,163)

BANK AND CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2015

(In RMB millions, unless otherwise stated)

		The Group		The Bank	
	Note VIII	2015	2014	2015	2014
Cash flows from financing activities					
Cash received from issuance of debt certificates		93,910	18,548	93,910	18,548
Sub-total of cash inflows from financing activities		93,910	18,548	93,910	18,548
Repayment of debts		(50,856)	(3,109)	(50,856)	(3,109)
Cash paid for dividends and profit distribution or interest repayment		(5,645)	(4,371)	(5,645)	(4,371)
Sub-total of cash outflows from financing activities		(56,501)	(7,480)	(56,501)	(7,480)
Net cash flows from financing activities		37,409	11,068	37,409	11,068
Effect of exchange rate changes on cash and cash equivalents		361	98	361	98
Net increase in cash and cash equivalents	45	110,740	3,881	110,206	3,829
Plus: Opening balance of cash and cash equivalents		220,228	216,347	220,065	216,236
Closing balance of cash and cash equivalents	44	330,968	220,228	330,271	220,065

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

(In RMB millions, unless otherwise stated)

	Note VIII	Equity attributable to shareholders of the parent company							Minority interests	Total
		Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained profit	Sub-total		
I. Balance as at 1 January 2015		8,905	30,543	81	6,134	17,100	38,695	101,458	641	102,099
II. Changes during the year										
i. Net profit		-	-	-	-	-	18,883	18,883	69	18,952
ii. Other comprehensive income	42	-	-	1,211	-	-	-	1,211	-	1,211
Subtotal of the above i and ii		-	-	1,211	-	-	18,883	20,094	69	20,163
iii. Profit distribution										
1. Surplus reserve withdrawn	30	-	-	-	1,779	-	(1,779)	-	-	-
2. General reserve withdrawn	31	-	-	-	-	4,351	(4,351)	-	-	-
3. Dividend distribution	32	-	-	-	-	-	(3,874)	(3,874)	-	(3,874)
iv. Internal conversion of shareholders' equity										
1. Conversion of capital reserve into share capital	32	1,781	(1,781)	-	-	-	-	-	-	-
III. Balance as at 31 December 2015		10,686	28,762	1,292	7,913	21,451	47,574	117,678	710	118,388

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2015

(In RMB millions, unless otherwise stated)

	Equity attributable to shareholders of the parent company									
	Note VIII	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained profit	Sub-total	Minority interests	Total
I. Balance as at 1 January 2014 (before restatement)		8,905	28,693	-	4,585	12,949	30,288	85,420	599	86,019
Changes in accounting policies		-	1,850	(1,850)	-	-	-	-	-	-
II. Balance as at 1 January 2014 (after restatement)		8,905	30,543	(1,850)	4,585	12,949	30,288	85,420	599	86,019
III. Changes during the year										
i. Net profit		-	-	-	-	-	17,981	17,981	42	18,023
ii. Other comprehensive income	42	-	-	1,931	-	-	-	1,931	-	1,931
Subtotal of the above i and ii		-	-	1,931	-	-	17,981	19,912	42	19,954
iii. Profit distribution										
1. Surplus reserve withdrawn	30	-	-	-	1,549	-	(1,549)	-	-	-
2. General reserve withdrawn	31	-	-	-	-	4,151	(4,151)	-	-	-
3. Dividend distribution	32	-	-	-	-	-	(3,874)	(3,874)	-	(3,874)
IV. Balance as at 31 December 2014		8,905	30,543	81	6,134	17,100	38,695	101,458	641	102,099

The accompanying notes are an integral part of these financial statements

BANK STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015 (In RMB millions, unless otherwise stated)

	Note VIII	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained profit	Total
I. Balance as at 1 January 2015		8,905	30,542	81	6,134	17,100	38,496	101,258
II. Changes during the year								
i. Net profit		-	-	-	-	-	18,581	18,581
ii. Other comprehensive income	42	-	-	1,211	-	-	-	1,211
Subtotal of the above i and ii		-	-	1,211	-	-	18,581	19,792
iii. Profit distribution								
1. Surplus reserve withdrawn	30	-	-	-	1,779	-	(1,779)	-
2. General reserve withdrawn	31	-	-	-	-	4,327	(4,327)	-
3. Dividend distribution	32	-	-	-	-	-	(3,874)	(3,874)
iv. Internal conversion of shareholders' equity								
1. Conversion of capital reserve into share capital	32	1,781	(1,781)	-	-	-	-	-
III. Balance as at 31 December 2015		10,686	28,761	1,292	7,913	21,427	47,097	117,176

BANK STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2015

(In RMB millions, unless otherwise stated)

	Note VIII	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained profit	Total
I. Balance as at 1 January 2014 (before restatement)		8,905	28,692	-	4,585	12,949	30,275	85,406
Changes in accounting policies		-	1,850	(1,850)	-	-	-	-
II. Balance as at 1 January 2014 (after restatement)		8,905	30,542	(1,850)	4,585	12,949	30,275	85,406
III. Changes during the year								
i. Net profit		-	-	-	-	-	17,795	17,795
ii. Other comprehensive income	42	-	-	1,931	-	-	-	1,931
Subtotal of the above i and ii		-	-	1,931	-	-	17,795	19,726
iii. Profit distribution								
1. Surplus reserve withdrawn	30	-	-	-	1,549	-	(1,549)	-
2. General reserve withdrawn	31	-	-	-	-	4,151	(4,151)	-
3. Dividend distribution	32	-	-	-	-	-	(3,874)	(3,874)
IV. Balance as at 31 December 2014		8,905	30,542	81	6,134	17,100	38,496	101,258

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 (In RMB millions, unless otherwise stated)

I. Profile of the Bank

Hua Xia Bank Co., Limited (hereinafter “the Bank”), formerly known as Hua Xia Bank, was established as a nationwide commercial bank on 14 October 1992 with the approval of People’s Bank of China (“PBOC”). On 10 April 1996, Hua Xia Bank was approved by PBOC to be restructured as a joint-stock limited company by means of promoter incorporation, and then renamed as Hua Xia Bank Co., Limited. On 21 July 2003, the Bank obtained approval from China Securities Regulatory Commission (“CSRC”) for offering of A shares. On 12 September 2003, the Bank was listed.

The Bank held the License for Financial Business (No. B0008H111000001) upon approval by China Banking Regulatory Commission (“CBRC”), and it acquired the Business License for Enterprises with a unified social credit code of 9111000010112001XW upon approval by the Beijing Administration for Industry and Commerce.

On 21 May 2004, the Bank converted the capital reserve of RMB700,000,000 into share capital at a ratio of 2 for 10 shares on the basis of 3.5 billion of shares as at 31 December 2003. After the conversion, the registered capital reached RMB4,200,000,000, which has been specially verified by Beijing Jingdu Certified Public Accountants, with the Capital Verification Report (Beijing Jingdu Y.Z. (2004) No. 0017).

On 15 October 2008, with approval of CSRC, the Bank issued 790,528,316 RMB-denominated ordinary shares (A shares) in a non-public offering to three designated investors, namely Shougang Corporation, State Grid Corporation of China and DEUTSCHE BANK AKTIENGESELLSCHAFT. After the additional offering, the registered capital was RMB4,990,528,316. The newly increased capital was verified by Beijing Jingdu Certified Public Accountants which issued the Capital Verification Report (Beijing Jingdu Y.Z. (2008) No. 0085).

On 22 April 2011, with approval of CSRC, the Bank issued 1,859,197,460 RMB-denominated ordinary shares in a non-public offering to three designated investors, namely Shougang Corporation, Yingda International Holdings Corporation, Ltd. (renamed as SGCC Yingda International Holdings Corporation, Ltd. now) and DEUTSCHE BANK LUXEMBOURG S.A. After the additional offering, the registered capital was RMB6,849,725,776. The newly increased capital was verified by Jingdu Tinwha Certified Public Accountants Co., Ltd. which issued the Capital Verification Report (Jingdu Tinwha Y.Z. (2011) No. 0044).

On 18 July 2013, the Bank converted the capital reserve of RMB2,054,917,733 into share capital at a ratio of 3 for 10 shares on the basis of 6.8 billion of shares as at 31 December 2012. After the conversion, the registered capital reached RMB8,904,643,509. The newly increased capital has been specially verified by Deloitte Touche Tohmatsu Certified Public Accountants LLP (special general partnership), with the Capital Verification Report (D.SH.B.(Y).Z. (13) No. 0577).

On 2 July 2015, the Bank converted the capital reserve of RMB1,780,928,702 into share capital at a ratio of 2 for 10 shares on the basis of 8.9 billion of shares as at 31 December 2014. After the conversion, the total share capital reached RMB10,685,572,211. The newly increased capital has been specially verified by Deloitte Touche Tohmatsu Certified Public Accountants LLP (special general partnership), with the Capital Verification Report (D.SH.B.(Y).Z. (15) No. 1307).

As at 31 December 2015, in addition to the Head Office, the Bank had established 38 tier-1 branches in Chinese Mainland, with outlets totaling 789.

The business scope of the Bank and its subsidiaries (collectively referred to as the “Group”) covers: public deposit-taking, granting of short, medium and long-term loans; domestic and international settlement, bill acceptance and discount, issuance of financial bonds, issuance, encashment and underwriting of government bonds as an agent, trading of government bonds and financial bonds, inter-bank lending and borrowing, trading of foreign exchange on its own behalf and as an agent, bank card service, provision of letter of credit and letter of guarantee, collection and payment service as an agent, safety box service, foreign exchange settlement and sale, sideline insurance agency, leasing service and other services approved by CBRC.

II. Basis of preparation of financial statements

The Group follows the Accounting Standards for Business Enterprises and relevant rules (including the new accounting standards for business enterprises issued and those revised in 2014, hereinafter referred to as “Accounting Standards for Business Enterprises”) promulgated by the Ministry of Finance of PRC (the “MOF”). Besides, the Group also discloses relevant financial information in accordance with the *Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 15 – General Provisions on Financial Report* (Revision 2014) issued by CSRC.

III. Declaration on Compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Group truly and fairly represent the bank and consolidated financial position of the Group as at 31 December 2015, and the bank and consolidated operating results and cash flows for the year then ended, in compliance with the Accounting Standards for Business Enterprises.

IV. Major Accounting Policies and Accounting Estimates

1. Accounting period

The accounting period of the Group begins on 1 January and ends on 31 December of the Gregorian calendar.

2. Bookkeeping base currency

Renminbi is the functional currency in the major economic environments of the Group's operation and the Group takes Renminbi as the bookkeeping base currency. The Group adopts Renminbi in the preparation of these financial statements.

3. Basis of Accounting and Measurement

The Group's accounting is on an accrual basis. Except some financial instruments that are measured at fair value, these financial statements are measured on the basis of historical costs. In case of impairment losses on assets, corresponding allowance for impairment losses shall be set aside according to relevant rules.

4. Business combination

Business combination not under the same control

Combination cost is the fair value of the assets paid, liabilities occurred or assumed and equity instruments issued by the buyer for acquiring the control right of the acquiree. The buyer's relevant expenses arising from business combination shall be recorded into current profit or loss upon occurrence.

At the acquisition date, recognizable assets, liabilities or contingent liabilities of the acquiree acquired by the buyer in the business combination are measured at fair value. For the balance between the combination cost and the fair value of recognizable net assets of acquiree acquired during the business combination, it will be recognized into goodwill as an asset and initially measured at cost.

Goodwill arising from business combination will be separately presented in the consolidated financial statements, and will be measured at the amount generated from the cost deducting accumulative allowance for impairment losses. Impairment test shall be conducted for goodwill at the end of each year at least.

The impairment loss on goodwill will be recognized as current profit or loss upon occurrence and will not be reversed in the subsequent accounting periods.

5. Preparation of consolidated financial statements

The consolidated scope of the consolidated financial statements shall be determined based on control. Control means that the Group has power over the investee, obtains variable return by participating in related activities of the investee and is able to influence its return amount by its power over the investee.

For subsidiaries disposed of by the Group, operating results and cash flows prior to the disposal date (date of losing control right) have been properly included in the consolidated income statement and the consolidated statement of cash flows.

For subsidiaries acquired by business combination under different control rights, operating results and cash flows as of the acquisition date (date of obtaining control right) have been properly included in the consolidated income statement and the consolidated statement of cash flows, and the opening balance and comparison amount of the consolidated financial statements will not be adjusted.

The major accounting policies and accounting period adopted by subsidiaries shall be determined based on those uniformly prescribed by the Bank.

All material accounts and transactions between the Bank and a subsidiary and among subsidiaries shall be offset at the time of business combination.

The part of the owners' equity of the subsidiaries not attributable to the parent company will be recognized as minority interest and be presented as "minority interests" in the consolidated financial statements. The part of the current profit or loss of the subsidiaries recognized as minority interests shall be presented as "minority interests" under the "net profit" item in the consolidated income statement.

If the loss of a subsidiary borne by a minority shareholder exceeds its share of equity at the beginning of the period in this subsidiary, the balance will be written off against the minority interests.

Structured entities refer to entities whose controllers are determined without considering the voting power or similar rights. Activities of such entities are usually guided by contractual arrangement or other arrangement methods including wealth management products, asset-backed securities.

6. Recognition of the Cash and Cash Equivalents

Cash refers to the company's cash on hand and deposits available for payment at any time. Cash equivalents refer to short-term investments with high liquidity held by the Group which are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

7. Foreign currency transactions

In the initial recognition of foreign currency transactions, the spot exchange rate on the transaction date shall be adopted. On the balance sheet date, foreign currency items shall be translated to RMB amounts by the spot exchange rate. The balance of exchange arising from the difference between the spot exchange rate on the balance sheet date and that in the initial recognition or prior to the balance sheet date is recorded into current profit or loss, except the following circumstances: (1) the balance of exchange arising from foreign currency borrowings eligible for capitalization is recognized into cost of relevant assets after capitalization during the capitalization period; (2) balance of exchange arising from hedging instruments that are used to avoid foreign exchange risks will be treated by the accounting treatment to hedging; (3) balance of exchange arising from changes in book balance other than the amortized cost of available-for-sale monetary items is recognized as other comprehensive income.

The foreign currency-denominated non-monetary items measured at historical cost shall be recorded by the amount presented in the bookkeeping base currency converted by the spot exchange rate on the transaction date. Foreign currency-denominated non-monetary items measured at fair value shall be converted by the spot exchange rate on the determination date of fair value.

8. Financial Instruments

Corresponding financial assets or financial liabilities shall be recognized when the Group becomes a party to a financial instrument contract.

(1) Financial assets

Financial assets are classified into four categories at the initial recognition: financial assets measured at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The classification shall be determined based on the nature and purpose of the financial assets at the initial recognition. Initially recognized financial assets are measured at fair value. For financial assets measured at fair value through profit or loss, the transaction costs thereof are directly recorded through profit or loss; for other categories of financial assets, the transaction expenses thereof are included in the initially recognized amount. Financial assets traded in a regular manner will be recognized or derecognized in line with the accounting treatment on the transaction date. Buying or selling a financial asset in a regular manner means the financial asset traded is delivered within the time limit specified by market rules or practices.

Financial assets designated at fair value through profit or loss

Financial assets measured at fair value through profit or loss include held-for-trading financial assets and those financial assets measured at fair value through profit or loss designated at the initial recognition.

Held-for-trading financial assets refer to financial assets meeting any of the following conditions:

- (i) the purpose of acquiring such financial assets is mainly for selling in a short term;
- (ii) they are part of the recognizable financial instrument portfolio under centralized management and there is objective evidence proving that the Group adopts the short-term profit-making method to manage the portfolio in the recent period;
- (iii) they belong to derivative financial instruments other than those designated as effective hedging instruments, those subordinated to financial guarantee contracts, and those linked with equity instruments that have no quotation in active markets and fair values of which cannot be reliably measured, and settled with the delivery of such equity instruments.

Financial assets meeting any of the following conditions can be designated as financial assets measured at fair value through profit or loss at the initial recognition:

- (i) The designation can eliminate or obviously reduce the discrepancies in the recognition or measurement of relevant gains or losses arising from different measurement bases of financial assets;
- (ii) The official written documents on risk management or investment strategies of the Group have indicated that the financial assets portfolio or the portfolio of financial assets and liabilities of which the said financial asset is a component will be managed and evaluated on the basis of fair value and be reported to key management personnel;
- (iii) Mixed instruments relating with embedded derivative instruments and eligible for designating as financial assets measured at fair value through profit or loss according to the *Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments*.

Financial assets measured at fair value through profit or loss are subsequently measured at fair value, and any gain or loss arising from changes in fair value, as well as dividends and interest income relating to such financial assets will be recorded through current profit or loss.

Held-to-maturity investments

Held-to-maturity investments refer to non-derivative financial assets that have a fixed maturity, fixed or determinable recoverable amount and that the Group has clear intent and ability to hold it to maturity.

After initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest rate method, less any impairment loss identified. Gains or losses are recognized into current profit or loss when such investments are derecognized, impaired or amortized. Effective interest method is the method of calculating amortized cost and interest income/expenses for various periods on the basis of the effective interest rate of the financial asset or financial liability (including a portfolio of financial assets or liabilities). Effective interest rate refers to the interest rate used when discounting the future cash flows of the financial assets or financial liabilities within the estimated renewal period or applicable shorter period into the current book value of the financial assets or financial liabilities.

While calculating the effective interest rate, the Group will estimate the future cash flows based on all the contract clauses of the financial assets or financial liabilities (without consideration of future credit losses), and will also consider various fees and transaction costs that are components of effective interest rate and paid or charged among all parties to the contract of financial assets or financial liabilities, as well as discount or premium etc.

Available-for-sale financial assets

The available-for-sale financial assets refer to the non-derivative financial assets that are defined as available for sale upon the initial recognition, as well as the financial assets other than the financial assets measured at fair value through gain or loss, loans, account receivables and held-to-maturity investments.

Available-for-sale financial assets are measured subsequently at fair value, and gains or losses arising from changes in fair value are recognized as other comprehensive income, which will be transferred out and recorded through current profit or loss when such financial assets are derecognized, except that impairment losses and exchange difference of foreign currency monetary financial assets relating with the amortized cost are recognized through current profit or loss.

Available-for-sale equity instruments that have no quotation in active markets and fair value of which cannot be measured on a reliable basis are measured at cost less any impairment loss identified at the end of the reporting period.

Interest obtained during the holding period of the available-for-sale financial assets and cash dividends announced and issued by the investee are recorded into interest income and investment income respectively.

Loans and receivables

Loans and receivables refer to non-derivative financial assets with fixed or determinable recoverable amount that are not quoted in an active market. The Group's loans and receivables include balances with central banks, due to banks and other financial institutions, placements with banks and other financial institutions, financial assets under reverse repurchase agreements, interest receivable, loans and advances and investments classified as receivables, etc., and they are measured at amortized cost using the effective interest rate method, less impairment loss. Gains or losses are recognized into current profit or loss when such investments are derecognized, impaired or amortized.

(2) Impairment of financial assets

Except financial assets measured at fair value through profit or loss, the Group carries out an inspection on the book value of other financial assets on the balance sheet date. If there is objective evidence that one or more events affecting estimated future cash flows of the financial assets occur after the initial recognition of those assets, impairment losses shall be recognized and allowance be set aside.

Objective evidences on impairment of the financial assets include the following observable circumstances:

- (i) The issuer or debtor has serious financial difficulties;
- (ii) The debtor violates provisions of the contract, e.g. default on or overdue payment of interest or principal;
- (iii) The Group makes compromise to the debtor with financial difficulties due to consideration of economic or legal factors;
- (iv) The debtor may possibly go bankruptcy or be otherwise restructured financially;
- (v) The financial assets cannot be traded in the active market due to material financial difficulties of the issuer;
- (vi) It is incapable of identifying whether the cash flows of a portfolio of financial assets decrease or not, but after overall assessment based on the public data, it has been found that the estimated future cash flows of the portfolio of financial assets have witnessed measurable decrease since the initial recognition, including the following circumstances:
 - a. the payment ability of the debtor of the financial assets has gradually worsened;
 - b. the country or region where the debtor is located encounters economic situations where the portfolio of financial assets may not be paid;
- (vii) There are material unfavorable changes in the technological, market, economic or legal environments of the issuer of equity instruments, which possibly makes the equity instrument investors fail to recover its investment cost;
- (viii) At the end of the period, the fair value of the equity instrument decreased 50% or more over the cost, or the fair value had been decreasing for 12 months or more;
- (ix) Other objective evidences indicating impairment of the financial assets.

Firstly, the Group conducts separate impairment test on financial assets with significant single amount. For financial assets with insignificant single amount, it conducts separate impairment test or conducts the test in asset portfolios. For financial assets recognized with no impairment loss by separate test (including financial assets with significant or insignificant single amount), they will be included in the impairment test conducted on financial asset portfolio with similar credit risk features. For financial assets recognized with impairment loss by separate test, they will not be included in the impairment test conducted on financial asset portfolio with similar credit risk features.

Impairment of financial assets measured at amortized cost

If there is an objective evidence proving an financial asset measured at amortized cost is impaired, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate (excluding future credit losses that haven't incurred) and will be recorded through current profit or loss. If the contract interest rate of the financial asset is a floating rate, then the discounting rate for determining the impairment loss shall be the current effective interest rate specified in the contract.

Whether the collateral is exercised or not, the present value of the future cash flows of financial asset with collateral will be estimated and calculated based on the exercise value of the collateral less the cost for acquiring and selling the collateral.

The financial assets shall be grouped by the similarity and relevance of their credit risk characteristics for collective assessment on impairment. These credit risk characteristics are generally related to the estimation of future cash flows of the examined assets, which reflects the debtor's ability to repay all due amount in accordance with contract clauses on these assets.

When a financial asset is not recoverable and all necessary procedures are executed and the loss amount determined, the Group will write down corresponding allowance for impairment loss against the financial asset and write it off. Amount recovered after the financial asset is written off shall be written down against the allowance for asset impairment of the current period.

In a subsequent period, if the allowance for impairment loss decreases and the decrease can be objectively related to an event occurring after the allowance is recognized (e.g. upgrading of the borrower's rating), the originally recognized impairment loss shall be reversed. Nevertheless, the reversed book value of the financial asset will not exceed the amortized cost of the financial asset on the date of reverse under the assumption that no allowance for impairment is set aside.

Impairment of the available-for-sale financial assets

When the available-for-sale financial asset is impaired, the accumulated losses arising from the decline of fair value that have been originally included in capital reserve will be transferred out and recorded through current profit or loss. The amount of accumulative losses to be reversed is the balance of initial acquisition cost of the financial asset less the principal recovered and amortized amount, the current fair value and the impairment loss recognized into profit or loss.

After the impairment loss of an available-for sale financial asset is recognized, if, in a subsequent period, there is any objective evidence proving that its value has been recovered, and it is objectively related to the event occurring after such loss is recognized, the impairment loss originally recognized will be reversed. The impairment loss of available-for-sale equity instrument investments will be reversed and recognized as other comprehensive income and that of available-for-sale debt instruments will be reversed and recorded into current profit or loss. The impairment loss of available-for-sale equity instrument investments measured at cost will not be reversed.

(3) Financial liabilities

The Group classifies the financial instruments or their components into financial liabilities or equity instruments in the initial recognition, based on contractual clauses regarding the financial instruments issued and their underlying economic substance in stead of the legal form only, with reference to the definition of financial liability and equity instrument.

In the initial recognition, financial liabilities are classified into financial liabilities measured at fair value through profit or loss and other financial liabilities.

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include held-for-trading financial liabilities and those designated as financial liabilities measured at fair value through profit or loss.

The conditions for classifying financial liabilities into held-for-trading financial liabilities and those measured at fair value through profit or loss designated in the initial recognition are the same with the conditions for classifying financial assets into held-for-trading financial assets and those measured at fair value through profit or loss designated in the initial recognition.

Financial liabilities measured at fair value through profit or loss are subsequently measured at fair value, and any gain or loss arising from changes in fair value as well as interest expenses relating to such financial liabilities will be recorded through current profit or loss.

Other financial liabilities

Financial liabilities other than financial guarantee contracts are subsequently measured at amortized cost based on effective interest rate method, and the gains or losses arising from derecognition or amortization are recorded through current profit or loss.

Financial guarantee contracts

Financial guarantee contract is the agreement between the guarantor and the creditor, according to which the guarantor shall fulfill the debt or assume responsibility when the debtor fails to fulfill the repayment obligation. For financial guarantee contracts that are not included in the designated financial liabilities measured at fair value through profit or loss, they are initially recognized by the fair value less direct transaction expenses. After the initial recognition, the subsequent measurement will be based on the amount determined according to the *Accounting Standards for Business Enterprises No. 13 – Contingent Matters* or the initially recognized amount less the accumulative amortized amount determined according to the *Accounting Standards for Business Enterprises No. 14 – Income*, whichever is higher.

(4) Derivative financial instruments

Derivative financial instruments are initially measured at fair value on the signing date of relevant contract, and subsequently measured at fair value. Change in fair value of the derivative financial instruments is recognized into current profit or loss.

For mixed instruments with embedded derivative financial instruments, such as financial assets or financial liabilities not designated to be measured at fair value through profit or loss, embedded derivative financial instruments without close relation with the master contract in terms of economic features and risks but with same conditions as the embedded financial derivative instruments, and instrument as an independent unit meeting the definition of derivative financial instruments, the embedded derivative financial instruments shall be split from the mixed instruments and treated as an independent derivative financial instrument.

(5) Determination method of fair value

Fair value refers to the amount received from selling an asset or the amount to be paid for transferring a liability by market players in orderly transactions on the measurement date. Whether the fair value is observed or estimated with valuation techniques, it is the basis of the fair value measured and disclosed in these financial statements.

As for financial assets and financial liabilities continuously measured by fair value, based on the observability of the input value of fair value and the overall importance of such input value to measurement of fair value, the Group divides the financial instruments into the following three levels:

Level 1: Fair value measurement refers to the unadjusted quotation of the same assets or liabilities obtainable in the active market on the measurement date;

Level 2: Fair value measurement refers to the directly or indirectly observable input value of related assets or liabilities other than the input value in Level 1;

Level 3: Fair value measurement refers to the unobservable input value of related assets or liabilities.

As for the financial instruments with active market, the Group adopts the quotation on the active market to determine their fair value.

The quotation for the financial instruments on the active market refers to the price easily accessible from exchanges, industrial associations, pricing service institutions or regulatory institutions on a regular basis, which also represents the frequently executed market trading price in fair transactions. If the above conditions are not met, then it is a non-active market. Signs of a non-active market include: significant bid-ask spread, markedly expanding bid-ask spread or no existence of recent transactions.

As for the financial instruments without active market, the Group adopts valuation techniques to determine their fair value. Valuation techniques include reference to the prices recently used in market transactions between well-informed willing parties, reference to current fair value of financial instruments of the same nature, discounted cash flow method and option pricing model.

(6) Derecognition

Derecognition of financial assets

Where a financial asset meets any of the following conditions, it will be derecognized:

- (i) Where the contractual rights for collecting cash flows of the said financial asset are terminated;
- (ii) Where the financial asset has been transferred and nearly all of the risks and returns in connection with the ownership of the financial asset have been shifted to the transferee;
- (iii) Where the financial asset has been transferred and the Group has given up control over the financial asset, though it does not transfer or retain almost all of the risks and returns in connection with the ownership of the financial asset;

In case that the Group neither transfers nor retains almost all the risks and returns relevant to ownership of the financial asset and it does not waive control over the financial asset, it shall recognize the financial asset based on the degree of involvement and concurrently recognize the related liabilities.

When the overall financial assets are derecognized, the difference between the book value of the transferred financial assets and the sum of the consideration received due to transfer and the accumulated changes in fair value originally recorded into other comprehensive income will be recorded through profit or loss.

Derecognition of financial liabilities

In the case that the current obligations of an financial liability is relieved in full or in part, the financial liability will be derecognized in full or in part. Where the Group (debtor) and creditor sign an agreement to replace the existing financial liability by assuming new financial liability of which contract terms are different from those of existing financial liability in essence, the existing financial liability will be derecognized and the new financial liability will be recognized at the same time.

Where all the financial liability is derecognized, the difference between book value of the financial liability and consideration paid (including non-cash assets or new financial liability assumed) will be recorded through current profit or loss.

(7) Offset between financial assets and financial liabilities

When the two conditions below are met, the net amount after offset of the financial assets and the financial liabilities will be presented on the balance sheet:

(i) The Group has the legal right to offset the recognized amount, and the right is executable at present;

(ii) The Group plans to settle by netting or realize such financial assets and pay off such financial liabilities at the same time.

9. Financial assets under reverse repurchase agreements and financial assets under repurchase agreements

The securities, bills and other assets that are sold under repurchase agreement and will be repurchased in a specified future date at a specified price are presented by category of financial assets before the sale, and funds collected from counterparties are presented as financial assets under repurchase agreements. The consideration paid for purchasing securities, bills, loans and other assets that are bought under the reverse repurchase contract and will be sold at a specified future date at a specified price is presented as financial assets under reverse repurchase agreements. The bid-ask spread of reverse repurchase or repurchase business is amortized by the effective interest rate during the transaction period, and gains or losses arising thereof will be recorded through current profit or loss.

10. Long-term equity investment

Control means that the investor has power over the investee, obtains variable return by participating in related activities of the investee and is able to influence its return amount by its power over the investee. Joint control refers to the control over a certain arrangement shared by more than one parties as agreed and related activities of this arrangement must be determined upon consent of all participants of the control power. Material impact means an entity has the power to participate in the financial affairs and operating policy of an enterprise but is unable to control or jointly control formulation of these policies together with other parties. At the time of determining whether to control or exert significant influence on the investee, the investee's current convertible corporate bonds and exercisable warrants held by the investor and other parties as well as other potential voting factors are taken into account.

A long-term equity investment is measured initially at cost. For long-term equity investment acquired by business combination not under the same control, the initial investment cost is the combination cost on the acquisition date.

Long-term equity investments acquired by means other than business combination are initially measured at cost. In the case that the investee is under significant influence or joint control but is not controlled, the cost of long-term equity investment is the fair value of originally held equity investment determined according to the *Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments*.

Long-term equity investment by cost accounting

The Group adopts the cost method to calculate its long-term equity investment in subsidiaries. Subsidiaries refer to investees controlled by the Group.

When the cost method is adopted, the long-term equity investment is priced at the initial investment cost. The cost of long-term equity investment will be adjusted upon addition or withdrawal of investment. The investment return for the current period is recognized based on cash dividend or profit announced to be distributed by the investee.

Long-term equity investment accounted by equity method

The Group applies the equity method to investment of associates and joint ventures. Associate refers to an investee that can be significantly influenced by the Group. Joint venture refers to a joint arrangement where the Group only has right over net assets of the arrangement.

When the equity method is adopted for accounting, for long-term equity investments with investment cost larger than the shares of the fair value of recognizable net assets of the investee during investment, the investment cost of long-term equity investments is not adjusted; and for long-term equity investments with investment cost smaller than the shares of the fair value of recognizable net assets of the investee during investment, the difference will be recorded through current profit or loss and the investment cost of the long-term equity investments will be adjusted.

When the equity method is adopted for accounting, the investment income and other comprehensive income shall be recognized separately based on the share of net profit or loss and other comprehensive income of the investee to be attributable to the Group, and the book value of long-term equity investments shall be adjusted at the same time. The profit or cash dividend attributable shall be calculated based on that to be distributed by the investee and the book value of long-term equity investments shall be reduced accordingly. Changes in owners' equity other than the investee's net profit or loss, other comprehensive income and profit distribution are recorded into capital reserve and the book value of long-term equity investments shall be adjusted accordingly. The attributable share of the investee's net profit or loss shall be determined based on the fair value of recognizable assets of the investee at the time of acquisition, and recognized after adjustment to the net profit of the investee according to the Group's accounting policies and accounting period. The unrealized profit or loss of internal transactions of the Group with associates and joint ventures attributable to the Group is calculated and offset as per the shareholding proportion, and the investment gains or losses are recognized after the offset. The unrealized loss arising from internal transactions of the Group with the investee that is categorized as impairment loss on transferred assets shall not be offset.

The net loss of the investee to be shared will be to the extent that the book value of long-term equity investment and other long-term equity substantially constituting net investment to the investee are written down to zero. In addition, if the Group has the obligation to assume additional loss of the investee, the projected liabilities will be recognized based on the obligation to be assumed and recorded through current investment loss. If the investee realizes net profit in the following periods, the Group will resume recognition of the attributable income after the income offsets the unrecognized loss.

Disposal of long-term equity investment

When the Group disposes of long-term equity investment, it records the difference between its book value and the actual acquisition cost through current profit or loss. The disposal of long-term equity investment accounted with equity method applies to the same basis with that used by the investee in directly disposing of relevant assets or liabilities. Accounting treatment will be conducted for the part of investment originally recorded into other comprehensive income by corresponding proportion.

11. Fixed assets

The fixed assets of the Group refer to tangible assets held for rendering of labor service, lease or operating management whose useful life exceeds one accounting year.

Fixed assets are measured initially at cost. Depreciation of fixed assets will be set aside based on the straight-line method over the useful life starting from the following month after the fixed assets reach their scheduled usable condition. The usable life, estimated residual rate and annual depreciation rate of all categories of fixed assets are shown as follows:

Category	Useful life	Estimated residual rate	Annual Depreciation Rate
Houses and buildings	15 – 35 years	5%	2.71% – 6.33%
Office supplies and electronic devices	5 – 8 years	5%	11.88% – 19.00%
Transportation facilities	5 – 10 years	5%	9.50% – 19.00%

Estimated residual value refers to the amount obtained by the Group from disposal of the asset deducting the estimated disposal expense, assuming that the fixed asset comes to the end of its estimated useful life at the expected status.

Any subsequent expenditure related to the fixed asset is recognized as cost of the fixed asset and the book value of the replaced part is derecognized in case that the future economic benefits associated with the asset is very likely to flow to the entity and the cost of the asset can be measured reliably. Other subsequent expenditures are recorded through current profit or loss at the time of occurrence.

At least at the end of every accounting year, the Group reviews the useful life, estimated residual value and depreciation methods for the fixed assets. Any changes will be treated as changes in accounting estimation.

The balance of disposal income from sale, transfer, retirement or destruction of fixed assets deducting their book value and related taxes and dues shall be recorded through profit or loss.

The cost of construction-in-process will be determined based on the actual expenditures of the project, including various project expenditures and other relevant expenses incurring during the construction period. Construction-in-process is converted into fixed asset when it reaches scheduled usable condition.

12. Intangible assets

Intangible assets refer to recognizable non-monetary assets with no physical form that are owned or controlled by the Group.

Intangible assets are measured initially at cost. For an intangible asset with a limited useful life, its original value will be amortized over its estimated useful life starting from the time when it is available for use. Intangible assets with uncertain useful life will not be amortized.

Land use right obtained is generally treated as an intangible asset in accounting. For self-developed houses and buildings, relevant land use right expenditure and the construction cost will be treated as intangible asset and fixed asset in accounting, respectively. For purchased houses and buildings, the cost will be allocated between the land use right and the buildings. If it is hard to realize reasonable allocation, all the cost will be accounted as fixed asset.

At the end of the period, the Group reviews the useful life and amortization method of the intangible asset with a limited useful life. Any changes will be treated as changes in accounting estimation.

13. Repossessed assets

Repossessed assets are initially recognized at fair value, and subsequently measured at the book value or recoverable amount at the end of the period, whichever is lower. When the recoverable amount of the repossessed asset is lower than its book value, impairment reserve for the asset will be set aside.

Gains or losses from disposal of the repossessed asset are recorded through current profit or loss.

If the repossessed asset is converted for private use, it shall be carried forward by its book balance on the date of transfer. If impairment reserve for the repossessed asset is set aside, the reserve shall also be carried forward.

14. Impairment of non-financial assets

At the end of the reporting period, the Group reviews the book value of long-term equity investments, investment property, fixed assets, construction-in-process and intangible assets, to confirm whether there is sign of impairment. If there is any sign of impairment on the asset, the recoverable amount shall be estimated. The Group estimates the recoverable amount based on a single asset; if it is hard to estimate the recoverable amount of a single asset, that of the asset portfolio where the single asset belongs will be measured. If the recoverable amount of the asset is lower than the book value, impairment reserve will be set aside based on the difference and be recorded through current profit or loss.

Recoverable amount is determined based on the fair value deducting disposal expense of the asset and present value of estimated future cash flows of the asset, whichever is higher. The fair value of assets is determined based on the price specified in the sales agreements of fair transactions; if there is active market but no sales agreement for the asset, its fair value will be determined based on the buyer's offer; if there is neither active market nor sales agreement, the fair value will be estimated based on the best information accessible. Disposal expenses include legal expense, taxes and carriage expense relating with the asset disposal as well as direct expenses for the asset to be available for sale. The present value of the estimated future cash flows of the assets will be determined based on the estimated future cash flows generated from continuous use and final disposal of the assets discounted by an appropriate discounting rate.

The above impairment loss of assets will not be reversed in the subsequent accounting periods once it is recognized.

15. Staff remuneration and welfare

Employee Compensation

The Group recognizes employees' short-term compensation actually incurred as liabilities during the reporting periods when the employees render services and records it through current profit or loss or relevant asset cost. The Group's employee welfare is recorded through current profit or loss or relevant asset cost based on the actual amount upon occurrence. Non-monetary employee welfare will be measured at fair value.

Social welfare

The Group joins in the social security system for employees established by the government as required, including basic endowment insurance, medical insurance, housing provident fund and other social security systems. During the reporting periods when the employees render services, the social welfare will be recognized as liabilities based on the amount payable and recorded through current profit or loss.

Annuity Plan

In addition to basic endowment insurance, employees of the Bank also participate in the employee retirement benefits plan created by the Bank (hereinafter referred to as “Annuity Plan”). The Bank contributes fund to the Annuity Plan as per a certain percentage of wages, and the contributions are recorded through current profit or loss. The Bank contributes a fixed amount of fund to the Annuity Plan. However, if the Annuity Plan is not sufficient to pay employees’ future retirement benefits, the Bank is not obliged to make fund injection.

16. Projected liabilities

If an obligation in connection with contingencies meets the following conditions, the Group will recognize it as a projected liability: (1) The obligation is a current obligation; (2) Performance of the obligation will likely cause outflow of the related economic benefit; (3) The amount of the obligation can be reliably measured.

The amount of recognized projected liabilities is the best estimation of the consideration to be paid for the failure in performing present obligation within the reporting period, giving consideration to the risks and uncertainties relating with the obligation. If the projected liabilities are measured by the estimated cash flows to be paid for fulfilling the present obligation, then the book value is the present value of the cash flows (where the time value is significant).

Where all or partial expenses paid for the liquidation of projected liabilities are expected to be compensated by a third party, the compensation can only be separately recognized as an asset when it is basically confirmed to be recoverable. The recognized compensation amount should not exceed the book value of the projected liabilities.

17. Recognition of income

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount can be reliably measured. The specific recognition principles are determined as follows by nature of the revenue:

Interest income and expenses

The interest income and expenses are calculated by the effective interest rate method based on the amortized cost of relevant financial assets and financial liabilities and recorded into current profit or loss.

After the impairment losses on financial assets are confirmed, the interest income shall be recognized with discounting rate applied in discounting the future cash flows on the basis of recognition of the impairment losses as the interest rate.

Fee and commission income and expenses

The fee and commission income and expenses will be recognized on an accrual basis at the time of rendering or receiving services.

18. Income tax

Current tax

On the balance sheet date, the income tax liabilities (or assets) that are formed during the current and previous periods shall be measured based on the amount of income tax that should be paid (or rebated) based on the tax law. The taxable income, namely the basis of current tax calculation, is obtained after the pre-tax accounting profit of the period is adjusted pursuant to the tax laws.

Deferred income tax

For the difference between the book value and the tax base of some assets and liabilities and the temporary difference between the book value and tax base of items that are not recognized as assets and liabilities but whose tax base can be determined according to the tax law, the deferred income tax assets and liabilities will be recognized based on the balance sheet liability method.

For taxable temporary differences relating with the initial recognition of goodwill, or the initial recognition of assets or liabilities generated from transactions that are not a business combination and that will not affect the accounting profit and taxable income (or deductible losses), relevant deferred income tax liabilities will not be recognized. In addition, for taxable temporary differences in connection with investments in subsidiaries and associates, if the Group can control the time for the reversal of such temporary differences and the temporary differences are unlikely to be reversed in the foreseeable future, relevant deferred income tax liabilities will not be recognized. Except the above cases, the Group will recognize all deferred income tax liabilities generated from taxable temporary differences.

For deductible temporary differences relating with the initial recognition of assets or liabilities generated from transactions that are not a business combination and that will not affect the accounting profit and taxable income (or deductible losses), relevant deferred income tax liabilities will not be recognized. Besides, for deductible temporary differences in connection with investments in subsidiaries and associates, if temporary differences are not likely to be reversed in the foreseeable future and taxable income is not likely to be obtained in the future to offset deductible temporary difference, relevant deferred income tax assets shall not be recognized. Except the above case, the Group recognizes the deferred income tax assets arising from other deductible temporary difference up to the amount of taxable income that may be obtained in the future to offset the deductible temporary difference.

For deductible losses that could be carried forward to the following years and tax credits, the Group recognizes relevant income tax assets within the limit of future taxable income that is very likely to be obtained by the Group to offset deductible losses and tax credits.

On the balance sheet date, the deferred income tax assets and liabilities are measured based on the tax rate in the expected period to collect the assets or repay the liabilities, according to the tax law.

On the balance sheet date, the book value of the deferred income tax assets will be reviewed. In case that the Group is not likely to obtain adequate amount of taxable income in the future to offset the deferred income tax assets, the book value of the deferred income tax assets will be written down. When the Group is able to obtain an adequate amount of taxable income, the written-down amount will be reversed.

Income tax expense

Income tax expense includes the current income tax and the deferred income tax.

Except that current income tax and deferred income tax relating with transactions or events recognized into other comprehensive income or directly recorded as shareholders' equity are recognized as other comprehensive income or shareholders' equity, and that book value of the goodwill is adjusted for deferred income tax arising from business combination, all the other expenses or income from current income tax and deferred income tax will be recorded through current profit or loss.

Offset of income tax

When the Group has the statutory right to settle on a net basis, or intends either to settle on a net basis or realize assets and repay liabilities at the same time, its current income tax assets and liabilities will be presented by the net amount after offset.

The deferred income tax assets and liabilities of the Group will be presented by the net amount after offset in the case that the Group has the statutory right to settle the current income tax assets and liabilities on a net basis, and the deferred income tax assets and liabilities are related to the income tax levied from a single subject of taxation by a single taxation authority or related to the income tax levied from different subjects of taxation, but the subjects of taxation involved intend to settle the current income tax assets and liabilities on a net basis or realize assets and repay liabilities at the same time during a future period in which a significant deferred income tax asset and liability is reversed.

19. Fiduciary business

Generally, the Group manages assets on behalf of customers as the agent, trustee or other fiduciary capacities in accordance with the agent agreement concluded with securities investment fund, social security fund, insurance company, trust company and other institutions. The Group only provides services and charges fees according to the agent agreement and does not take risks and interests relating with the agency assets. The agency assets will not be recognized in the balance sheet of the Group.

The Group also engages in entrusted loans. The Group grants loans to borrowers as an intermediary based on the borrower, purpose, amount, interest rate and repayment plan determined by the principal, in accordance with the entrusted loan contract. The Group is responsible for granting and collecting entrusted loans and charges fees for services provided, but it does not take risks and interests relating with the entrusted loans. The entrusted loans and entrusted loan assets will not be recognized in the balance sheet of the Group.

20. Leasing

Financial lease is substantially a type of lease where all risks and compensations relating with the assets are transferred. Operating lease includes all leases other than the financial lease.

The Group records operating lease as the leaser

The rental income from operating lease is recognized through current profit or loss in each period of the lease term based on the straight-line method. The initial direct expenses with larger amount are capitalized at occurrence and recorded through current profit or loss over the whole lease period by phase according to the same basis as rental income recognition; other initial direct expenses with smaller amount are recorded through current profit or loss at occurrence. Contingent rentals are recognized into current profit or loss at the time of actual occurrence.

The Group records financial lease as the leaser

On the starting date of the financial lease, the sum of the minimum rental income and the initial direct expense will be posted as the financial lease receivable and recorded into loans and advances in the balance sheet. The unsecured balance will be recorded at the same time. The difference between the sum of minimum rental income, initial direct expense and unsecured balance and the present value thereof will be recognized as unrealized financing income. Within the lease period, the current interest income will be recognized based on the effective interest rate method. Contingent rentals are recognized into current profit or loss at the time of actual occurrence.

The Group records operating lease as the lessee

The rental expenses for operating lease are recognized as current profit or loss in each period of the lease term based on the straight-line method. Initial direct expenses are recorded through profit or loss. Contingent rentals are recognized into current profit or loss at the time of actual occurrence.

In the case that the leaser offers incentives for the operating lease, all the preferential factors arising from the incentives will be deducted from the rental expenses based on the straight-line method.

V. Major judgments made in accounting policy application and key assumptions and uncertainties adopted in accounting estimation

During the process of applying the accounting policies described in Note IV, the Group needs to make judgments, estimates and assumptions on the book value of statement items that cannot be measured accurately due to the inherent uncertainties of the operating activities. These judgments, estimates and assumptions are made based on the historical experience of the Management of the Group and other relevant factors, and therefore the actual results may be different from the estimates of the Group.

The Group regularly checks the foresaid judgments, estimates and assumptions on an ongoing basis. If the change in accounting estimates only has impact on the current period, it will be recognized in the current period; if it has impact on both the current period and future periods, it will be recognized in the current period and future periods.

On the balance sheet day, the Group needs to make judgments, estimates and assumptions on the amount of items in the financial statements in the following fields:

1. Impairment of loans and advances to customers

The Group conducts assessment on the allowance for impairment losses on loans on each balance sheet date. The Group makes judgments not only on the impairment losses on loans that can be identified one by one, but also the signs for decrease in future cash flows of the loan portfolio. The signs for impairment losses on loans include deteriorated repayment capability of borrowers in the loan portfolio or default of borrowers in the loan portfolio due to changes in the economic environment of the country or region. The amount of impairment losses on loans and advances assessed individually is the difference between the present value of the future cash flows and the book value of the said loans. When impairment losses on loans are assessed in portfolio, the Group calculates the future cash flows of the loan portfolio based on the historical experience obtained at the time when assets with similar credit risk features and objective evidences on impairment incur losses. The Group will regularly review the methods and assumptions used in estimating the amount and time of the future cash flows, to reduce the difference between the estimated impairment losses on loans and the actual losses.

2. Fair value of financial instruments

As for the financial instruments without active market, the Group adopts various valuation methods to determine their fair value. These methods include model analysis of discounting cash flows, option pricing model and other valuation methods (if applicable). In practical application, the models generally use observable data. The Management needs to evaluate such areas as credit risk, market fluctuation and relevance of the Group and counterparties. These changes in related assumptions will influence the fair value of the financial instruments.

3. Held-to-maturity investments

The Group classifies the non-derivative financial assets which have a fixed or determinable recoverable amount and fixed maturity and for which the Group has clear intent and ability to hold to maturity into held-to-maturity investments. Such classification work involves plenty of judgments. During the process of judgment, the Group will assess its willingness and ability to hold such investments to maturity. Except special cases (e.g. selling insignificant amount of investments close to the maturity date), if the Group fails to hold these investments to maturity, all such investments shall be reclassified as available-for-sale financial assets.

4. Impairment of the held-to-maturity investment

The Group depends on the judgments of the Management to a great extent for determining whether the held-to-maturity investments are impaired. The objective evidences for impairment include the situation where the financial assets cannot be traded in the active market and the contract can't be fulfilled (e.g. default on the payment of interest or principal) due to the material financial difficulties of the issuer. During the process of judgment, the Group needs to assess the impact of objective evidences for impairment on the estimated future cash flows of the investment.

5. Impairment of the available-for-sale financial assets

The Group depends on the judgments of the Management to a great extent for determining whether the available-for-sale financial assets are impaired. During the process of judgment, the Group needs to assess the extent to which and the duration when the fair value of the investment is lower than its cost, as well as the financial position and short-term business outlook of the investee, including industry status, technological reform, credit rating, default rate and counterparty's risks.

6. Impairment of Investments classified as receivables

The Group depends on the judgments of the Management to a great extent for determining whether the investments classified as receivables are impaired. The objective evidences for impairment include the situation where the contract on the financial assets can't be fulfilled due to the material financial difficulties of the issuer. During the process of judgment, the Group needs to assess the impact of objective evidences for impairment on the estimated future cash flows of the investment. The Group makes judgments not only on the impairment of investments classified as receivables that can be identified one by one, but also the signs for decrease in future cash flows of the investment portfolio. When impairment losses on investments classified as receivables are assessed in portfolio, the Group calculates the future cash flows of the loan portfolio based on the historical experience obtained at the time when assets with similar credit risk features and objective evidences on impairment incur losses.

7. Income tax

In the normal operating activities of the Group, there is uncertainty in the ultimate tax treatment and calculation of some transactions. Whether some items can be disbursed before tax is subject to the approval of the competent taxation authorities. If there is any difference between the ultimate determination result and the initially estimated amount of these tax items, the difference will pose impact on the current income tax and deferred income tax for the ultimate recognition period. At the same time, the Management of the Group needs to estimate the amount of deferred income tax assets that can be reversed in the future.

8. Judgment on control over structured entity

Where the Group serves as the manager or investor of the structured entity, it is necessary to assess whether the Group is the principal or agent so as to decide whether it has control over the structured entity. The Group decides whether it is the principal or agent based on such factors as its decision-making scope as the manager or investor, power of other parties, compensation of management services and the risk exposure of variable income.

VI. Major items

1. Enterprise income tax

Subjects of taxation of the Group pay the enterprise income tax at 25% of the taxable income pursuant to the *Enterprise Income Tax Law of the People's Republic of China*.

2. Business tax

The Group pays the business tax at 5% of the taxable turnover. The business tax shall be paid locally, which means branches of the Group declare and pay the business tax to local taxation authorities.

3. VAT

Huaxia Financial Leasing Co., Ltd., a subsidiary of the Group, has been a pilot enterprise for the trial implementation of replacing business tax with VAT in Kunming. As of 1 August 2013, the company has been paid VAT for tangible personal property at the rate of 17% and for advisory services at the rate of 6%.

4. Urban maintenance and construction tax

The Group calculates and pays the urban maintenance and construction tax at 5% or 7% of the business tax and VAT.

5. Education fee and surcharges

The Group calculates and pays the education fee and surcharges at 3% of the business tax and VAT.

VII. Business Combination and Consolidated Financial Statements

Subsidiaries acquired through establishment or investment as at 31 December 2015 are as follows:

Name	Date of establishment	Register place	Registered Capital/ Paid-in capital	Shareholding percentage	Voting rights percentage	Minority interests	Business nature
			(RMB1 million)	(%)	(%)	(RMB1 million)	
Beijing Daxing Hua Xia Rural Bank Co., Ltd.	2010	Beijing	125	80.00	80.00	27	Bank
Kunming Chenggong Hua Xia Rural Bank Co., Ltd.	2011	Kunming	50	70.00	70.00	17	Bank
Sichuan Jiangyou Hua Xia Rural Bank Co., Ltd.	2011	Jiang You	50	70.00	70.00	22	Bank
Hua Xia Financial Lease Co., Limited	2013	Kunming	3,000	82.00	82.00	644	Financial lease

For details on structured entities excluded in consolidated scope of the Group, please see Note XIV: Structured Entities.

VIII. Notes to Major Items in the Financial Statements

1. Cash on hand and balances with central banks

		The Group		The Bank	
		31 December 2015	31 December 2014	31 December 2015	31 December 2014
Cash on hand		3,130	3,786	3,119	3,778
Statutory reserves with central banks	(1)	198,538	229,425	198,401	229,255
Excess reserves with central banks	(2)	61,554	58,069	61,440	58,012
Other balances with central banks	(3)	872	968	872	968
Total		264,094	292,248	263,832	292,013

(1) The Group deposits statutory reserves for general deposits with PBOC as required. The percentage of reserves is specified below:

		31 December 2015	31 December 2014
RMB:			
The Bank		15.00%	18.00%
Daxing Hua Xia Village Bank Co., Ltd.		9.50%	14.00%
Kunming Chenggong Hua Xia Village Bank Co., Ltd.		9.50%	14.00%
Sichuan Jiangyou Hua Xia Village Bank Co., Ltd.		8.50%	13.00%
Foreign currency:		5.00%	5.00%

(2) Excessive reserves with the central bank refer to the funds placed by the Group with the central bank in addition to the statutory reserves to ensure the normal withdrawal of deposits and business operations.

(3) Other funds placed with the central bank are deemed as fiscal deposits and exchange risk reserve at the central bank, and PBOC pays no interest for the fiscal deposits and exchange risk reserve.

2. Due from banks and other financial institutions

		The Group		The Bank	
		31 December 2015	31 December 2014	31 December 2015	31 December 2014
Due from domestic banks and other financial institutions		39,434	57,561	38,934	57,463
Due from overseas banks and other financial institutions		10,135	5,147	10,135	5,147
Less: Allowance for impairment losses on due from banks and other financial institutions					
Individual assessment		(5)	(5)	(5)	(5)
Collective assessment		(70)	(37)	(70)	(37)
Book value of due from banks and other financial institutions		49,494	62,666	48,994	62,568

3. Placements with banks and other financial institutions

	The Group and the Bank	
	31 December 2015	31 December 2014
Placements with domestic banks and other financial institutions	29,870	16,511
Placements with overseas banks and other financial institutions	800	–
Placements with other domestic financial institutions	416	2,711
Less: Individual assessment on allowance for impairment losses on placements with banks and other financial institutions	(114)	(114)
Book value of placements with banks and other financial institutions	30,972	19,108

4. Financial assets designated at fair value through profit or loss

Held-for-trading financial assets

	The Group and the Bank	
	31 December 2015	31 December 2014
Bonds of public entities and quasi-governments	1,971	561
Bonds of financial institutions	1	203
Corporate bonds	9,900	8,302
Total	11,872	9,066

5. Derivative financial instruments

Non-hedging instruments:

	The Group and the Bank		
	31 December 2015		
	Contractual/ nominal principal	Fair value	
		Assets	Liabilities
Foreign exchange forwards	6,588	32	26
Foreign exchange swaps	158,208	152	136
Interest rate swaps	10,000	7	7
Option contracts	4,178	–	–
Total		191	169

The Group and the Bank			
31 December 2014			
	Contractual/ nominal principal	Fair value Assets	Liabilities
Foreign exchange forwards	15,449	79	117
Foreign exchange swaps	179,216	543	436
Interest rate swaps	3,050	3	3
Option contracts	121	–	–
Total		625	556

Contractual/nominal amount refers to the unfinished trade volume on the balance sheet date instead of the risk amount.

6. Financial assets held under resale agreements

The Group and the Bank		
	31 December 2015	31 December 2014
Bonds	145,885	25,299
Bills	99,412	97,837
Total	245,297	123,136

7. Interest receivables

	The Group		The Bank	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Interest of loans and advances to customers	4,023	2,544	4,012	2,538
Interest of held-to-maturity investment	2,633	1,878	2,633	1,878
Interest of investments classified as receivables	1,560	2,289	1,560	2,289
Interest of available-for-sale financial assets	1,432	1,330	1,432	1,330
Interest of financial assets under reverse repurchase agreements	534	491	534	491
Interest of deposits and placements with banks and other financial institutions	307	677	307	677
Interest of financial assets measured at fair value through profit or loss	114	126	114	126
Total	10,603	9,335	10,592	9,329

On 31 December 2015 and 31 December 2014, the aging of interest receivable of the Group and the Bank was no more than one year.

8. Loans and advances to customers

(1) The Loans and advances are distributed to corporate and personal customers as follows:

	The Group		The Bank	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Corporate loans and advances	868,267	765,249	830,943	736,956
Of which: Loans	833,027	750,753	795,704	722,460
Bills of exchange for imports/exports	3,762	6,113	3,762	6,113
Discounting	31,478	8,383	31,477	8,383
Personal loans and advances	200,905	174,740	200,487	174,365
Of which: Housing mortgage	111,248	108,953	111,246	108,950
Credit Cards	52,970	33,589	52,970	33,589
Others	36,687	32,198	36,271	31,826
Total loans and advances to customers	1,069,172	939,989	1,031,430	911,321
Less: Allowance for impairment losses on loans and advances	(27,235)	(23,884)	(26,575)	(23,482)
Of Which Individual assessment	(7,213)	(5,595)	(7,212)	(5,595)
Collective assessment	(20,022)	(18,289)	(19,363)	(17,887)
Total	1,041,937	916,105	1,004,855	887,839

(2) The loans and advances are presented as follows by assessment method:

The Group						
Impaired loans and advances identified (ii)						
	Percentage of impaired loans and advances identified in total loans and advances	Loans and advances for which allowance is set aside based on collective assessment (i)	Collective assessment on allowance for impairment	Sub-total	Total	Individual assessment on allowance for impairment
31 December 2015						
Total loans and advances to customers	1,052,875	2,156	14,141	16,297	1,069,172	1.52%
Allowance for impairment losses on loans and advances	(18,524)	(1,498)	(7,213)	(8,711)	(27,235)	
Book value of loans and advances to customers	1,034,351	658	6,928	7,586	1,041,937	
31 December 2014						
Total loans and advances to customers	929,744	1,032	9,213	10,245	939,989	1.09%
Allowance for impairment losses on loans and advances	(17,546)	(743)	(5,595)	(6,338)	(23,884)	
Book value of loans and advances to customers	912,198	289	3,618	3,907	916,105	

The Bank						
Impaired loans and advances identified (ii)						
	Percentage of impaired loans and advances identified in total loans and advances	Loans and advances for which allowance is set aside based on collective assessment (i)	Collective assessment on allowance for impairment	Sub-total	Total	Individual assessment on allowance for impairment
31 December 2015						
Total loans and advances to customers	1,015,138	2,156	14,136	16,292	1,031,430	1.58%
Allowance for impairment losses on loans and advances	(17,865)	(1,498)	(7,212)	(8,710)	(26,575)	
Book value of loans and advances to customers	997,273	658	6,924	7,582	1,004,855	
31 December 2014						
Total loans and advances to customers	901,076	1,032	9,213	10,245	911,321	1.12%
Allowance for impairment losses on loans and advances	(17,144)	(743)	(5,595)	(6,338)	(23,482)	
Book value of loans and advances to customers	883,932	289	3,618	3,907	887,839	

(i) Referring to loans and advances whose impairment is yet to be identified. The allowance will be set aside by collective method.

(ii) Impaired loans and advances identified include loans whose impairment is objectively evidenced and identified. The allowance for impairment on these loans can be assessed and set aside by individual or collective methods.

(3) Allowance for impairment losses on loans and advances

	The Group					
	Individual assessment on allowance for impairment	2015 Collective assessment on allowance for impairment	Total	Individual assessment on allowance for impairment	2014 Collective assessment on allowance for impairment	Total
Balance at the beginning of the year	5,595	18,289	23,884	4,639	17,804	22,443
Charge for the year	6,817	2,001	8,818	4,663	562	5,225
Recovery of written-off loans and advances	74	4	78	172	–	172
Transfer-out due to increase of present value	(322)	(22)	(344)	(154)	(13)	(167)
Write-offs for the year	(4,951)	(250)	(5,201)	(3,725)	(72)	(3,797)
Transfer-in during the year	–	–	–	–	8	8
Balance at the end of the year	7,213	20,022	27,235	5,595	18,289	23,884

	The Bank					
	Individual assessment on allowance for impairment	2015 Collective assessment on allowance for impairment	Total	Individual assessment on allowance for impairment	2014 Collective assessment on allowance for impairment	Total
Balance at the beginning of the year	5,595	17,887	23,482	4,639	17,683	22,322
Charge for the year	6,815	1,744	8,559	4,663	289	4,952
Recovery of written-off loans and advances	74	4	78	172	–	172
Transfer-out due to increase of present value	(321)	(22)	(343)	(154)	(13)	(167)
Write-offs for the year	(4,951)	(250)	(5,201)	(3,725)	(72)	(3,797)
Balance at the end of the year	7,212	19,363	26,575	5,595	17,887	23,482

9. Available-for-sale financial assets

	The Group and the Bank	
	31 December 2015	31 December 2014
Debt instruments		
Government bonds	9,911	9,320
Bonds of public entities and quasi-governments	40,259	28,870
Corporate bonds	23,148	25,176
Less: Collective assessment on allowance for impairment	(200)	–
Sub-total	73,118	63,366
Equity instrument (1)	82	82
Total	73,200	63,448
Of which:		
Amortized cost of the available for-sale debt instruments	71,595	63,258
Changes in fair value recorded in other comprehensive income accumulatively	1,723	108
Allowance for impairment losses set aside accumulatively	(200)	–
Fair value of the available-for-sale debt instruments	73,118	63,366

(1) As the Group's equity instrument classified as available-for-sale financial assets for accounting has no quotation in the active market and its fair value can't be reliably measured, it is measured at cost.

10. Held-to-maturity investments

	The Group and the Bank	
	31 December 2015	31 December 2014
Government bonds	138,308	95,179
Bonds of public entities and quasi-governments	26,443	23,058
Bonds of financial institutions	20,455	11,796
Corporate bonds	3,967	4,267
Certificates of deposit with banks and other financial institutions	5,370	1,977
Total	194,543	136,277

11. Account receivable held for investment

	The Group and the Bank	
	31 December 2015	31 December 2014
Government bonds	226	326
Bonds of financial institutions	2,650	2,900
Beneficiary rights of assets	75,467	198,970
Less: Collective assessment on allowance for impairment	(883)	(1,062)
Total	77,460	201,134

12. Long-term equity investment

	The Bank	
	31 December 2015	31 December 2014
Subsidiaries		
– Hua Xia Financial Lease Co., Limited	2,460	2,460
– Beijing Daxing Hua Xia Rural Bank Co., Ltd.	100	100
– Kunming Chenggong Hua Xia Rural Bank Co., Ltd.	35	35
– Sichuan Jiangyou Hua Xia Rural Bank Co., Ltd.	35	35
Total	2,630	2,630

As at 31 December 2015 and 31 December 2014, there was no impairment in the Group's long-term equity investments.

13. Fixed assets

	The Group				
	Houses and buildings	Office supplies and electronic devices	Transportation facilities	Construction- in-process	Total
Original value					
1 January 2015	6,765	5,495	131	1,509	13,900
Acquisition in the year	1,360	1,072	10	554	2,996
Transfer-in/(transfer-out) of construction-in-process	345	–	–	(345)	–
Sale/disposal	(86)	(246)	(8)	–	(340)
31 December 2015	8,384	6,321	133	1,718	16,556
Accumulative depreciation					
1 January 2015	(1,452)	(3,033)	(56)	–	(4,541)
Charge for the year	(194)	(805)	(12)	–	(1,011)
Sale/disposal	15	227	6	–	248
31 December 2015	(1,631)	(3,611)	(62)	–	(5,304)
Allowance for impairment losses					
1 January 2015	–	–	–	–	–
31 December 2015	–	–	–	–	–
Net amount					
1 January 2015	5,313	2,462	75	1,509	9,359
31 December 2015	6,753	2,710	71	1,718	11,252

The Bank					
	Houses and buildings	Office supplies and electronic devices	Transportation facilities	Construction-in-process	Total
Original value					
1 January 2015	6,765	5,474	129	1,509	13,877
Acquisition in the year	1,360	1,070	10	530	2,970
Transfer-in/(transfer-out) of construction-in-process	345	–	–	(345)	–
Sale/disposal	(86)	(246)	(8)	–	(340)
31 December 2015	8,384	6,298	131	1,694	16,507
Accumulative depreciation					
1 January 2015	(1,452)	(3,022)	(56)	–	(4,530)
Charge for the year	(194)	(801)	(12)	–	(1,007)
Sale/disposal	15	227	6	–	248
31 December 2015	(1,631)	(3,596)	(62)	–	(5,289)
Allowance for impairment losses					
1 January 2015	–	–	–	–	–
31 December 2015	–	–	–	–	–
Net amount					
1 January 2015	5,313	2,452	73	1,509	9,347
31 December 2015	6,753	2,702	69	1,694	11,218

As at 31 December 2015 and 31 December 2014, the Group has several houses and buildings that are in use but whose registration of title is in process. The Management of the Group expects that relevant formalities will neither affect the Group's succession of the asset rights nor cause adverse impact on its operation.

14. Intangible assets

	The Group	The Bank
Original value		
1 January 2015	97	96
Acquisition in the year	1	–
31 December 2015	98	96
Accumulated amortization		
1 January 2015	(9)	(9)
Charge for the year	(2)	(2)
31 December 2015	(11)	(11)
Total book value of intangible assets, net		
1 January 2015	88	87
31 December 2015	87	85
Residual amortization life (year)	7-35	35

Intangible assets include land use right and use right of computer software systems.

15. Deferred Taxation

	The Group		The Bank	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Deferred income tax assets	4,570	4,419	4,485	4,378

(1) Change in balance of deferred income tax

	The Group		The Bank	
	2015	2014	2015	2014
Balance at the beginning of the year	4,419	4,475	4,378	4,470
Recorded into gain/loss of the year	555	588	511	552
Recorded into other comprehensive income	(404)	(644)	(404)	(644)
Balance at the end of the year	4,570	4,419	4,485	4,378

(2) Deferred income tax assets and liabilities

	The Group			
	31 December 2015		31 December 2014	
	Deductible/ (taxable) temporary difference	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary difference	Deferred income tax assets/ (liabilities)
Allowance for impairment losses on loans	11,444	2,861	10,038	2,510
Wages set aside but not paid	7,356	1,839	6,590	1,647
Allowance for impairment losses on other assets	1,406	351	1,304	326
Fair value of available-for-sale financial assets changed	(1,723)	(431)	(108)	(27)
Changes in fair value of financial assets measured at fair value through profit or loss and derivative financial instruments	(213)	(53)	(148)	(37)
Others	12	3	2	—
Sub-total	18,282	4,570	17,678	4,419

	The Bank			
	31 December 2015		31 December 2014	
	Deductible/ (taxable) temporary difference	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary difference	Deferred income tax assets/ (liabilities)
Allowance for impairment losses on loans	11,176	2,794	9,924	2,481
Wages set aside but not paid	7,293	1,824	6,538	1,635
Allowance for impairment losses on other assets	1,406	351	1,304	326
Fair value of available-for-sale financial assets changed	(1,723)	(431)	(108)	(27)
Changes in fair value of financial assets measured at fair value through profit or loss and derivative financial instruments	(213)	(53)	(148)	(37)
Others	—	—	2	—
Sub-total	17,939	4,485	17,512	4,378

16. Other assets

		The Group		The Bank	
		31 December 2015	31 December 2014	31 December 2015	31 December 2014
Receivables and payment on account	(1)	1,953	2,232	1,731	2,191
Long-term prepaid expenses		1,260	1,275	1,226	1,255
Funds to be cleared		994	662	994	662
Repossessed assets to be disposed of	(2)	636	286	636	286
Others		189	159	8	8
Total		5,032	4,614	4,595	4,402

(1) Receivables and payment on account presented by aging

Aging	The Group							
	31 December 2015				31 December 2014			
	Amount	Percentage (%)	Allowance for bad debts	Net amount	Amount	Percentage (%)	Allowance for bad debts	Net amount
No more than 1 year	1,122	46.56	(59)	1,063	1,522	54.91	(31)	1,491
1 – 2 years (inclusive)	145	6.02	(26)	119	173	6.24	(20)	153
2 – 3 years (inclusive)	165	6.85	(19)	146	209	7.54	(18)	191
More than 3 years	978	40.57	(353)	625	868	31.31	(471)	397
Total	2,410	100.00	(457)	1,953	2,772	100.00	(540)	2,232

Aging	The Bank							
	31 December 2015				31 December 2014			
	Amount	Percentage (%)	Allowance for bad debts	Net amount	Amount	Percentage (%)	Allowance for bad debts	Net amount
No more than 1 year	900	41.13	(59)	841	1,481	54.24	(31)	1,450
1 – 2 years (inclusive)	145	6.63	(26)	119	173	6.33	(20)	153
2 – 3 years (inclusive)	165	7.54	(19)	146	209	7.65	(18)	191
More than 3 years	978	44.70	(353)	625	868	31.78	(471)	397
Total	2,188	100.00	(457)	1,731	2,731	100.00	(540)	2,191

(2) Repossessed assets to be disposed of

	The Group and the Bank	
	31 December 2015	31 December 2014
Housing properties	800	335
Others	114	55
Less: Allowance for impairment losses on repossessed assets to be disposed of	(278)	(104)
Net amount	636	286

17. Allowance for impairment losses on assets

	The Group 2015						
	Charge/ (reversal) for the year	Transfer- in/ (transfer- out) for the year	Opening balance	Recovery for the year	Write-offs for the year	Change in exchange rate	Ending balance
Due from banks and other financial institutions	42	32	—	—	—	1	75
Placements with banks and other financial institutions	114	—	—	—	—	—	114
Loans and advances to customers	23,884	8,818	(344)	78	(5,201)	—	27,235
Account receivable held for investment	1,062	(179)	—	—	—	—	883
Available-for-sale financial assets	—	200	—	—	—	—	200
Others	644	108	—	—	(22)	6	736
Total	25,746	8,979	(344)	78	(5,223)	7	29,243

The Group							
2014							
	Charge/ (reversal) for the year	Transfer- in/ (transfer- out) for the year	Opening balance	Recovery for the year	Write-offs for the year	Change in exchange rate	Ending balance
Due from banks and other Financial institutions	47	(2)	–	–	–	(3)	42
Placements with banks and other financial institutions	114	–	–	–	–	–	114
Loans and advances to customers	22,443	5,225	(159)	172	(3,797)	–	23,884
Account receivable held for investment	–	1,062	–	–	–	–	1,062
Others	720	(9)	(43)	–	(27)	3	644
Total	23,324	6,276	(202)	172	(3,824)	–	25,746

The Bank							
2015							
	Charge/ (reversal) for the year	Transfer-in/ (transfer- out) for the year	Opening balance	Recovery for the year	Write-offs for the year	Change in exchange rate	Ending balance
Due from banks and other financial institutions	42	32	–	–	–	1	75
Placements with banks and other financial institutions	114	–	–	–	–	–	114
Loans and advances to customers	23,482	8,559	(343)	78	(5,201)	–	26,575
Account receivable held for investment	1,062	(179)	–	–	–	–	883
Available-for-sale financial assets	–	200	–	–	–	–	200
Others	644	108	–	–	(22)	6	736
Total	25,344	8,720	(343)	78	(5,223)	7	28,583

The Bank							
2014							
	Charge/ (reversal) for the year	Transfer-in/ (transfer- out) for the year	Opening balance	Recovery for the year	Write-offs for the year	Change in exchange rate	Ending balance
Due from banks and other financial institutions	47	(2)	–	–	–	(3)	42
Placements with banks and other financial institutions	114	–	–	–	–	–	114
Loans and advances to customers	22,322	4,952	(167)	172	(3,797)	–	23,482
Account receivable held for investment	–	1,062	–	–	–	–	1,062
Others	712	(9)	(35)	–	(27)	3	644
Total	23,195	6,003	(202)	172	(3,824)	–	25,344

18. Due to central banks

	The Group		The Bank	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Mid-term credit facility	30,000	20,000	30,000	20,000
Others	27	58	–	–
Total	30,027	20,058	30,000	20,000

Mid-term credit facility refers to the monetary policies tools issued by PBOC to commercial banks and policy banks by means of pledge. At the end of 2015, the Bank held six-month mid-term credit facility at the interest rate of 3.35%, which was pledged with its bonds worth of RMB35,160 million. At the end of 2014, the Bank held three-month mid-term credit facility at the interest rate of 3.5%, which was pledged with its bonds worth of RMB23,130 million.

19. Due to banks and other financial institutions

	The Group		The Bank	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Due to domestic banks	132,295	138,056	135,548	138,338
Due to overseas banks	1,020	19,837	1,020	19,837
Due to other domestic financial institutions	136,885	126,447	136,940	126,539
Total	270,200	284,340	273,508	284,714

20. Placements from banks and other financial institutions

	The Group		The Bank	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Placements from domestic banks	60,423	34,884	29,928	14,510
Placements from overseas banks	2,718	7,254	2,718	7,254
Placements from other domestic financial institutions	1,000	500	1,000	500
Total	64,141	42,638	33,646	22,264

21. Repurchase agreements

	The Group and the Bank	
	31 December 2015	31 December 2014
Bonds	69,670	40,072
Bills	10,821	130
Total	80,491	40,202

For details on the Group's assets taken as collaterals for repurchase, please see Note XI-6 Collaterals.

22. Due to customers

	The Group		The Bank	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Demand deposits				
Corporate deposits	489,750	381,336	488,946	380,674
Personal deposits	110,917	91,585	110,820	91,480
Time deposits				
Corporate deposits	414,827	445,784	414,723	445,733
Personal deposits	130,830	133,008	130,399	132,718
Security deposit received (1)	171,957	191,694	171,753	191,488
Structured deposits	30,421	56,755	30,421	56,755
Outward remittances and remittances outstanding	2,912	2,930	2,889	2,923
Others	49	124	49	124
Total	1,351,663	1,303,216	1,350,000	1,301,895

(1) Security deposit received is presented by item as follows:

	The Group		The Bank	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Security deposit for bank acceptance bills	137,604	151,690	137,456	151,548
Security deposit for L/C issuance	13,525	12,883	13,525	12,883
Security deposit for L/G issuance and Guarantee	2,780	2,986	2,780	2,986
Other security deposits	18,048	24,135	17,992	24,071
Total	171,957	191,694	171,753	191,488

23. Accrued payroll

	The Group 2015			
	Opening balance	Increase over the year	Decrease over the year	Ending balance
Salaries and bonuses	6,590	8,064	(7,298)	7,356
Employee welfare	–	1,217	(1,217)	–
Social insurance	30	1,557	(1,545)	42
Housing provident fund	27	723	(727)	23
Labor union funds and employee education expense	84	278	(262)	100
Others	2	657	(655)	4
Total	6,733	12,496	(11,704)	7,525

	The Group 2014			
	Opening balance	Increase over the year	Decrease over the year	Ending balance
Salaries and bonuses	5,045	7,168	(5,623)	6,590
Employee welfare	–	958	(958)	–
Social insurance	28	1,370	(1,368)	30
Housing provident fund	27	654	(654)	27
Labor union funds and employee education expense	76	262	(254)	84
Others	2	618	(618)	2
Total	5,178	11,030	(9,475)	6,733

The Bank				
2015				
	Opening balance	Increase over the year	Decrease over the year	Ending balance
Salaries and bonuses	6,538	7,979	(7,224)	7,293
Employee welfare	–	1,205	(1,205)	–
Social insurance	27	1,543	(1,533)	37
Housing provident fund	27	719	(723)	23
Labor union funds and employee education expense	80	275	(260)	95
Others	–	655	(655)	–
Total	6,672	12,376	(11,600)	7,448

The Bank				
2014				
	Opening balance	Increase over the year	Decrease over the year	Ending balance
Salaries and bonuses	5,024	7,086	(5,572)	6,538
Employee welfare	–	948	(948)	–
Social insurance	27	1,359	(1,359)	27
Housing provident fund	27	651	(651)	27
Labor union funds and employee education expense	75	259	(254)	80
Others	2	616	(618)	–
Total	5,155	10,919	(9,402)	6,672

24. Taxes and dues payable

	The Group		The Bank	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Enterprise income tax	3,118	2,722	3,067	2,675
Business tax and surcharges	1,139	1,266	1,138	1,264
Others	126	89	121	86
Total	4,383	4,077	4,326	4,025

25. Interest payable

	The Group		The Bank	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Interest of deposits from customers	13,226	13,538	13,150	13,520
Interest of due from banks and other financial institutions	1,403	3,040	1,406	3,040
Interest of due to central banks	406	142	406	142
Interest of debt obligations payable	376	551	376	551
Interest of placements from banks and other financial institutions	197	238	22	31
Interest of financial assets under repurchase agreements	73	58	73	58
Total	15,681	17,567	15,433	17,342

26. Debt obligations payable

	The Group and the Bank		
		31 December 2015	31 December 2014
Mixed capital bonds	(1)	4,000	4,000
Subordinated bonds	(2)	—	4,400
Certificates of deposit with banks and other financial institutions	(3)	51,893	4,439
Offshore financial bonds	(4)	1,000	1,000
Tier-2 capital bonds	(5)	10,000	10,000
Total		66,893	23,839

(1) Mixed capital bonds

As approved by the CBRC and PBOC, the Bank issued RMB4 billion of mixed capital bonds from 26 to 27 June 2007. The bonds have a term of 15 years; and the issuer has one option to redeem all or part of the bonds at face value at the end of the tenth year to the maturity.

This issue of the bonds consists of RMB2.4 billion with a fixed interest rate and RMB1.6 billion with floating interest rates; the initial issuing interest rate of the bonds with a fixed interest rate as determined through bookkeeping files is 5.89% and the initial interest margin of the bonds with floating interest rates is 2%.

The interest of the bonds with a fixed interest rate is paid on an annual basis. In case that the issuer does not exercise the advance redemption option on the last day of the tenth year, commencing from the 11th interest accrual year, the interest of the bonds shall increase by 300BPs on the basis of the initial issuing interest rate to 8.89%.

The annual interest rate of the bonds with floating interest rates is the sum of the benchmark interest rate and the basic interest margin. This benchmark interest rate is determined based on the interest rate of the one-year time savings deposits for lump-sum withdrawal published by PBOC applicable to the first issuing date and the value date of other interest accrual years. The basic interest margin of the first 10 years is 2%. In case that the issuer does not exercise the advance redemption option on the last day of the tenth year, commencing from the 11th interest year, the interest of the bonds shall increase by 100BPs on the basis of the initial issuing interest margin to 3%.

The value date of the bonds was 27 June 2007. In case that the issuer does not exercise the redemption option, the interest period of the bonds will be from 27 June 2007 to 26 June 2022. Otherwise, the honoring date of the bonds redeemed shall be the honoring date as determined in the redemption announcement.

(2) Subordinated bonds

As approved by the CBRC and PBOC, the Bank issued the subordinated bonds of Hua Xia Bank Co., Ltd. for 2010 from 26 February to 2 March 2010 and the final issuance volume was RMB4.4 billion. The bonds are 10-year subordinated bonds at a fixed interest rate, and at the end of the fifth year the issuer may exercise the redemption option to redeem all bonds at face value.

The coupon rate of the bonds for the first five interest accrual years is 4.55%, which is unchanged during the period; if the issuer does not exercise the redemption option, the coupon rate for the later five interest accrual years will be increased by 300 BPs based on the initial issuing interest rate to 7.55% from the sixth interest accrual year to the end of the term.

The bonds have been redeemed in full by the issuer on 2 March 2015.

(3) Certificates of deposit with banks and other financial institutions

As at 31 December 2015, there were 36 outstanding certificates of deposit with banks and financial institutions with the total face value of RMB52,340 million and terms of 1 month to 1 year, which were all issued in discount.

(4) Offshore financial bonds

As approved by the National Development and Reform Commission (NDRC) and PBOC, the Bank issued three-year offshore advanced RMB bonds on 30 June 2014 in Hong Kong Special Administration Region of People's Republic of China, involving the size of RMB1 billion. The coupon rate is fixed at 4.95% and the interest will be paid semiannually. The value date is 30 June 2014 and the maturity date is 30 June 2017.

(5) Tier-2 capital bonds

As approved by the CBRC and PBOC, the Bank issued the tier-2 capital bonds of Hua Xia Bank Co., Ltd. for 2014 from 24 to 25 July 2014 and the issuance volume was RMB10 billion. The bonds are 10-year bonds at a fixed interest rate, and at the end of the fifth year the issuer may exercise the redemption option to redeem all or part of bonds at face value.

The coupon rate is fixed at 6.14% and the interest will be paid semiannually. The value date is 25 July 2014 and the maturity date is 25 July 2024 if the issuer does not exercise its redemption right or 25 July 2019 for the part redeemed if the issuer exercises its redemption right.

27. Other liabilities

	The Group		The Bank	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Security deposit for financial lease	3,746	2,900	–	–
Agency collection for asset securitization business	2,538	–	2,538	–
Deferred income	1,381	976	344	196
On-lending	1,144	1,149	1,144	1,149
Funds to be settled and cleared payable	386	434	386	439
Others	1,848	844	1,319	836
Total	11,043	6,303	5,731	2,620

28. Share capital

	31 December 2015		31 December 2014	
	Total number of shares (million)	Nominal amount	Total number of shares (million)	Nominal amount
A shares with par value of RMB1 per share registered, issued and paid in full amount	10,686	10,686	8,905	8,905

Note: A shares refer to ordinary shares domestically offered, and subscribed and traded in Renminbi.

According to the resolutions of the General Meeting of Shareholders of the Bank held on 12 May 2015 and the *Announcement on Implementing the Plan for 2014 Profit Distribution and Conversion of Capital Reserve to Share Capital of Hua Xia Bank Co., Limited* released on 2 July 2015, the Bank converted the capital reserve into capital share at a ratio of 2 for 10 shares on the basis of 8,904,643,509 shares on 31 December 2014, and the registered capital was increased by RMB1,780,928,702. After the conversion, the registered capital was RMB10,685,572,211 and the total share capital was 10,685,572,211 shares with the value of RMB10,685,572,211. The newly increased capital has been specially verified by Deloitte Touche Tohmatsu Certified Public Accountants LLP (special general partnership), with the Capital Verification Report (D.SH.B.(Y).Z. (15) No. 1307).

On 31 December 2015, the Bank has restricted A shares of 2,900 million with the par value of RMB1 per share (31 December 2015: 2,417 million).

29. Capital reserve

The Group				
2015				
	Opening balance	Increase over the year	Decrease over the year	Ending balance
Capital premium	30,542	–	(1,781)	28,761
Investment by minority shareholders at premium	1	–	–	1
Total	30,543	–	(1,781)	28,762

The Group				
2014				
	Opening balance	Increase over the year	Decrease over the year	Ending balance
Capital premium	30,542	–	–	30,542
Investment by minority shareholders at premium	1	–	–	1
Total	30,543	–	–	30,543

The Bank				
2015				
	Opening balance	Increase over the year	Decrease over the year	Ending balance
Capital premium	30,542	–	(1,781)	28,761

The Bank				
2014				
	Opening balance	Increase over the year	Decrease over the year	Ending balance
Capital premium	30,542	–	–	30,542

30. Surplus reserve

	The Group and the Bank	
	31 December 2015	31 December 2014
Statutory surplus reserve	7,802	6,023
Discretionary surplus reserve	111	111
Total	7,913	6,134

(1) According to relevant laws of the People's Republic of China, the Bank must appropriate statutory surplus reserve at 10% of the net profit based on the PRC GAAP until the statutory surplus reserve accumulated to 50% of the share capital. After the statutory surplus reserve is appropriated, the Bank can determine its amount of discretionary surplus reserve on its own upon approval by the General Meeting of Shareholders.

(2) As at 31 December 2015, statutory surplus reserve accumulatively appropriated by the Bank had exceeded 50% of the share capital and the statutory surplus reserve in excess of 50% shall be subject to approval by the General Meeting of Shareholders.

(3) For details on surplus reserve, please refer to Note VIII-32 Undistributed Profit.

31. General reserve

	The Group		The Bank	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
General reserve	21,451	17,100	21,427	17,100

(1) As of 1 July 2012, the Bank has set aside general reserve in accordance with the *Administrative Measures for Reserve Provisioning of Financial Enterprises* (C.J. [2012] No. 20). The general reserve is treated as profit distribution and its balance shall not be lower than 1.5% of the ending balance of risk assets in principle. It shall be in place within 5 years as of 1 July 2012.

(2) For details on surplus reserve, please refer to Note VIII-32 Undistributed Profit.

(3) According to the regulatory rules of China, some subsidiaries of the Bank should appropriate certain amount from the net profit as general reserve. Such general reserve is treated as profit distribution.

32. Retained profit

(1) Profit distribution for 2015

The profit distribution plan for 2015 that is passed by the Board of Directors and submitted to the General Meeting of Shareholders for approval on 15 April 2016 is as follows:

(i) Set aside statutory surplus reserve of RMB1,858,117,354 based on the Bank's net profit for 2015 which is RMB18,581,173,539;

(ii) Set aside general reserve of RMB2,843,306,974, after which the Bank's balance of general reserve reaches 1.5% of the outstanding risk assets on 31 December 2015;

(iii) Distribute dividends to all shareholders at the rate of RMB3.63 (pre-tax) per 10 shares, totaling RMB3,878,862,713, based on the Bank's total share capital of 10,685,572,211 shares at the end of 2015.

The above profit distribution plan is subject to approval by the Bank's General Meeting of Shareholders. Before that, accounting treatment is not made to the proposed surplus reserve, general reserve and dividend distribution.

(2) Profit distribution for 2014

The Bank has implemented the profit distribution plan for 2014 that was approved by the General Meeting of Shareholders on 12 May 2015 and announced by the Bank on 2 July 2015. Particulars are as follows:

(i) Set aside statutory surplus reserve of RMB1,779,497,132 based on the Bank's net profit for 2014 which is RMB17,794,971,318; such statutory surplus is recorded in the balance sheet of the Bank and the Group dated 31 December 2015 as a subsequent event;

(ii) Set aside general reserve of RMB4,326,740,119, after which the Bank's balance of general reserve reaches 1.5% of the outstanding risk assets on 31 December 2014; such general reserve is recorded in the balance sheet of the Bank and the Group dated 31 December 2015 as a subsequent event;

(iii) Distribute dividends to all shareholders at the rate of RMB4.35 (pre-tax) per 10 shares, totaling RMB3,873,519,926, based on the Bank's total share capital of 8,904,643,509 shares at the end of 2014.

(iv) Convert the capital reserve into share capital at a ratio of 2 for 10 shares on the basis of 8,904,643,509 shares at 31 December 2004, which increases the registered capital by RMB1,780,928,702. Afterwards, the total share capital records 10,685,572,211, equivalent to RMB10,685,572,211; such conversion is recorded in the balance sheet of the Bank and the Group dated 31 December 2015 as a subsequent event.

(3) Profit distribution for 2013

The Bank has implemented the profit distribution plan for 2013 that was approved by the General Meeting of Shareholders on 22 May 2014 and announced by the Bank on 4 July 2014. Particulars are as follows:

(i) Set aside statutory surplus reserve of RMB1,548,541,909. The statutory surplus reserve has been recorded in the balance sheet of the Bank and the Group dated 31 December 2014.

(ii) Set aside general reserve of RMB4,151,308,808. The general reserve has been recorded in the balance sheet of the Bank and the Group dated 31 December 2014.

(iii) Distribute dividends to all shareholders at the rate of RMB4.35 (pre-tax) per 10 shares, totaling RMB3,873,519,926, based on the Bank's total share capital of 8,904,643,509 shares at the end of 2013.

33. Net interest income

	The Group		The Bank	
	2015	2014	2015	2014
Interest income				
Loans and advances to customers	60,612	58,272	58,740	56,840
Of which: Corporate loans and advances	50,273	48,607	48,435	47,203
Personal loans and advances	10,035	9,342	10,001	9,314
Discounted bills	304	323	304	323
Account receivable held for investment	9,791	15,626	9,791	15,626
Held-to-maturity investments	6,220	5,303	6,220	5,303
Financial assets held under resale agreements	4,989	5,243	4,989	5,243
Balances with central banks	3,663	3,785	3,661	3,781
Available-for-sale financial assets	3,173	3,007	3,173	3,007
Due from banks and other financial institutions	1,627	2,024	1,623	2,023
Placements with banks and other financial institutions	787	706	802	726
Financial assets designated at fair value through profit or loss	462	396	462	396
Sub-total	91,324	94,362	89,461	92,945

	The Group		The Bank	
	2015	2014	2015	2014
Interest expense				
Due to customers	(29,574)	(27,904)	(29,552)	(27,887)
Due to banks and other financial institutions	(10,415)	(16,228)	(10,455)	(16,270)
Placements from banks and other financial institutions	(1,601)	(1,881)	(336)	(926)
Debt obligations payable	(1,596)	(767)	(1,596)	(767)
Repurchase agreements	(1,131)	(1,197)	(1,131)	(1,197)
Others	(924)	(144)	(923)	(143)
Sub-total	(45,241)	(48,121)	(43,993)	(47,190)
Net interest income	46,083	46,241	45,468	45,755
Of which: Interest income from impaired financial assets identified	355	167	355	167

34. Net fee and commission income

	The Group		The Bank	
	2015	2014	2015	2014
Fee and commission income				
Wealth management service	5,431	2,299	5,431	2,299
Bank card service	3,097	1,897	3,097	1,897
Agency business	1,657	1,634	1,657	1,634
Credit commitments	1,621	1,360	1,620	1,359
Custody and other fiduciary services	1,042	972	1,042	972
Leasing service	303	279	—	—
Settlement and clearing business	39	41	39	41
Consulting service	8	35	8	35
Others	237	164	237	164
Sub-total	13,435	8,681	13,131	8,401
Fee and commission expenses				
Fee expense	(1,063)	(1,029)	(1,039)	(1,012)
Net fee and commission income	12,372	7,652	12,092	7,389

Fee and commission expenses mainly include expenses for UnionPay card services, agency settlement, international agency payment, etc.

35. Investment gains/(losses)

	The Group and the Bank	
	2015	2014
Investment gains/(losses) resulted from trading of the available-for-sale financial assets	90	129
Investment gains/(losses) resulted from trading of financial assets measured at fair value through profit or loss	56	219
Others	(24)	232
Total	122	580

36. Gains/(losses) from the changes in fair value

	The Group and the Bank	
	2015	2014
Financial assets designated at fair value through profit or loss	112	99
Derivative financial instruments	(47)	83
Total	65	182

37. Exchange gain

Foreign exchange gains mainly include income from foreign exchange differences and translation differences from foreign currency-denominated currency assets and liabilities.

38. Business tax and surcharges

	The Group		The Bank	
	2015	2014	2015	2014
Business tax	3,837	3,454	3,812	3,429
Urban maintenance and construction tax	268	242	266	240
Education surcharges and others	206	189	205	188
Total	4,311	3,885	4,283	3,857

39. General and administrative expenses

		The Group		The Bank	
		2015	2014	2015	2014
Staff remuneration and welfare	(1)	12,496	11,030	12,376	10,919
Business expenses		5,277	7,115	5,236	7,074
Depreciation and amortization		2,828	2,477	2,799	2,459
Total		20,601	20,622	20,411	20,452

(1) Staff remuneration and welfare

	The Group		The Bank	
	2015	2014	2015	2014
Salaries and bonuses	8,064	7,168	7,979	7,086
Social insurance	1,557	1,370	1,543	1,359
Employee welfare	1,217	958	1,205	948
Housing provident fund	723	654	719	651
Labor union funds and employee education expense	278	262	275	259
Others	657	618	655	616
Total	12,496	11,030	12,376	10,919

40. Asset impairment loss

	The Group		The Bank	
	2015	2014	2015	2014
Loans and advances to customers	8,818	5,225	8,559	4,952
Available-for-sale financial assets	200	—	200	—
Reposessed assets to be disposed of	172	(34)	172	(34)
Due from banks and other financial institutions	32	(2)	32	(2)
Receivables and payment on account	(65)	32	(65)	32
Account receivable held for investment	(179)	1,062	(179)	1,062
Others	1	(7)	1	(7)
Total	8,979	6,276	8,720	6,003

41. Income tax expense

	The Group		The Bank	
	2015	2014	2015	2014
Current income tax expense	6,808	6,568	6,643	6,452
Deferred income tax expense	(555)	(588)	(511)	(552)
Total	6,253	5,980	6,132	5,900

Adjustments to income tax expense and accounting profit are presented as follows:

	The Group		The Bank	
	2015	2014	2015	2014
Pre-tax profit	25,205	24,003	24,713	23,695
Income tax at statutory tax rate of 25%	6,300	6,001	6,178	5,923
Adjustment of current-period income tax during previous years	(1)	—	—	—
Plus: Tax effect of non-deductible expense	741	882	741	880
Less: Tax effect of tax-exempt income	(787)	(903)	(787)	(903)
Total	6,253	5,980	6,132	5,900

42. Other comprehensive income

Other comprehensive income to be classified as profit/loss

The Group and the Bank					
2015					
Changes in other comprehensive income for the year					
	Opening balance	Increase over the year	Decrease over the year	Sub-total of changes	Ending balance
Net fair value changes of available-for-sale financial assets	108	1,615	—	1,615	1,723
Impact of changes in fair value of available-for-sale financial assets on income tax	(27)	(404)	—	(404)	(431)
Total	81	1,211	—	1,211	1,292

The Group and the Bank

2014

Changes in other comprehensive income for the year

	Opening balance	Increase over the year	Decrease over the year	Sub-total of changes	Ending balance
Net fair value changes of available-for-sale financial assets	(2,467)	2,575	–	2,575	108
Impact of changes in fair value of available-for-sale financial assets on income tax	617	(644)	–	(644)	(27)
Total	(1,850)	1,931	–	1,931	81

Other comprehensive income items abovementioned will be reclassified as profit/loss in the subsequent accounting periods when the specified conditions are met. Except those mentioned above, the Bank has no other comprehensive income items that can't be reclassified as profit/loss in the subsequent accounting periods.

43. Earnings per share

	2015	2014
Net profit attributable to shareholders of the parent company in the year	18,883	17,981
Weighted average ordinary shares in issue (million shares)	10,686	10,686
Basic earnings per share (RMB yuan)	1.77	1.68

According to the resolutions of the General Meeting of Shareholders of the Bank held on 12 May 2015 and the *Announcement on Implementing the Plan for 2014 Profit Distribution and Conversion of Capital Reserve to Share Capital of Hua Xia Bank Co., Limited* released on 2 July 2015, the Bank converted the capital reserve into capital share at a ratio of 2 for 10 shares on the basis of 8,904,643,509 shares on 31 December 2014, and the registered capital was increased by RMB1,780,928,702. After the conversion, the registered capital was RMB10,685,572,211 and the total share capital was 10,685,572,211 shares. According to relevant requirements, the Bank recalculated the weighted average ordinary shares in issue and earnings per share of the comparable periods based on the number of shares after the conversion.

At the end of 2015, the Company had no potential diluted ordinary shares.

44. Cash and cash equivalents

	The Group		The Bank	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Cash on hand	3,130	3,786	3,119	3,778
Balances with central banks	61,554	58,069	61,440	58,012
Due from banks, placements with banks and other financial institutions and financial assets under reverse repurchase agreements	266,284	158,373	265,712	158,275
Total	330,968	220,228	330,271	220,065

45. Supplementary information on the Statement of Cash Flows

	The Group 2015	2014	The Bank 2015	2014
Net profit adjusted into cash flows from operating activities:				
Net profit	18,952	18,023	18,581	17,795
Plus: Impairment losses on assets	8,979	6,276	8,720	6,003
Depreciation on fixed assets	1,011	893	1,007	889
Amortization of intangible assets	2	3	2	3
Amortization on long-term prepaid expenses	1,815	1,581	1,790	1,567
Interest income from securities investment	(19,646)	(24,332)	(19,646)	(24,332)
Loss/(gain) on disposal of fixed, intangible and other long-term assets	(33)	7	(33)	7
Loss/(gain) on changes in fair value	(65)	(182)	(65)	(182)
Investment loss/(gain)	(122)	(580)	(122)	(580)
Exchange loss/(gain)	337	77	337	77
Deferred income tax	(555)	(588)	(511)	(552)
Interest income from impaired financial assets identified	(355)	(167)	(355)	(167)
Interest expense on debt obligations issued	1,596	767	1,596	767
Decrease/(increase) of operating receivables	(120,505)	(136,277)	(111,280)	(120,022)
Increase/(decrease) of operating payables	110,195	147,381	101,024	131,553
Net increase in cash and cash equivalents	1,606	12,882	1,045	12,826
Net change of cash and cash equivalents:				
Cash and cash equivalents at the end of the period	330,968	220,228	330,271	220,065
Less: Cash and cash equivalents at the beginning of the period	(220,228)	(216,347)	(220,065)	(216,236)
Net increase in cash and cash equivalents	110,740	3,881	110,206	3,829

IX. Segment Report

The Group determines the operating segments according to the organizational framework, management requirement and internal reporting system, and on this basis, determines the reporting segments.

An operating segment refers to the component within the Group meeting the following conditions at the same time: (1) such component can generate income and incur expenses in the daily activities; (2) the management of the enterprise can regularly assess the operating results of the component to determine the resources allocated to it and assess its performance; (3) the enterprise can obtain the accounting information relating to the component's financial position, operating results and cash flows.

The Group's reporting segments include Northern and Northeastern China, Eastern China, Southern and Central China and Western China. Particularly speaking:

(1) Northern and Northeastern China: Beijing, Tianjin, Hebei, Shandong, Liaoning, Inner Mongolia and Jilin;

(2) Eastern China: Jiangsu, Shanghai, Zhejiang and Anhui;

(3) Southern and Central China: Guangdong, Guangxi, Hubei, Hunan, Shanxi, Fujian, Henan, Jiangxi and Hainan; and

(4) Western China: Shaanxi, Xinjiang, Sichuan, Chongqing, Yunnan and Ningxia.

Accounting policies of the operating segments maintain the same with the major accounting policies of the Group.

When presenting information by operating segment, operating income is divided on the basis of location of branches generating income. Segment assets and capital expenditure are divided by the location of the related assets.

2015	Northern and Northeastern China	Eastern China	Central China and Southern China	Western China	Offset among segments	Total
Operating income	24,906	13,910	11,644	8,386	(2)	58,844
Net interest income	16,895	12,121	9,963	7,104	–	46,083
Of which:						
Net external interest income	20,814	10,321	8,612	6,336	–	46,083
Segmental net interest income	(3,919)	1,800	1,351	768	–	–
Net fee and commission income	7,829	1,705	1,629	1,209	–	12,372
Other net operating income	182	84	52	73	(2)	389
Operating expenses	(12,063)	(9,702)	(7,624)	(4,523)	2	(33,910)
Operating profit	12,843	4,208	4,020	3,863	–	24,934
Net non-operating income	20	8	146	97	–	271
Gross profit	12,863	4,216	4,166	3,960	–	25,205
Supplementary information						
1. Depreciation and amortization expenses	1,472	576	468	312	–	2,828
2. Capital expenditures	1,503	1,675	974	690	–	4,842
3. Impairment losses on assets	1,105	3,811	2,585	1,478	–	8,979
31 December 2015						
Segment assets	1,862,237	567,052	568,522	384,996	(1,366,773)	2,016,034
Undistributed assets						4,570
Total assets						2,020,604
Segment liabilities	1,762,051	563,627	564,993	378,318	(1,366,773)	1,902,216
Undistributed liabilities						–
Total Liabilities						1,902,216

2014	Northern and Northeastern China	Eastern China	Central China and Southern China	Western China	Offset among segments	Total
Operating income	22,328	13,095	11,425	8,037	–	54,885
Net interest income	17,902	11,363	9,925	7,051	–	46,241
Of which:						
Net external interest income	20,696	8,676	9,570	7,299	–	46,241
Segmental net interest income	(2,794)	2,687	355	(248)	–	–
Net fee and commission income	3,599	1,654	1,435	964	–	7,652
Other net operating income	827	78	65	22	–	992
Operating expenses	(10,856)	(9,050)	(7,036)	(4,052)	–	(30,994)
Operating profit	11,472	4,045	4,389	3,985	–	23,891
Net non-operating income	26	23	24	39	–	112
Gross profit	11,498	4,068	4,413	4,024	–	24,003
Supplementary information						
1. Depreciation and amortization expenses	1,297	532	392	256	–	2,477
2. Capital expenditures	1,763	1,197	583	428	–	3,971
3. Impairment losses on assets	(276)	3,434	2,160	958	–	6,276
31 December 2014						
Segment assets	1,505,280	516,487	402,132	270,937	(847,627)	1,847,209
Undistributed assets						4,419
Total assets						1,851,628
Segment liabilities	1,421,234	513,221	398,333	264,368	(847,627)	1,749,529
Undistributed liabilities						–
Total Liabilities						1,749,529

X. Related Parties and Related Party Transactions

1. Related parties

There is no related party that controls or jointly controls the Bank. Other related parties are as follows:

(1) Shareholders holding no less than 5% shares in the Bank and exerting significant influence on the Bank

Name of related shareholder	Register place	Legal Representative/ CEO	Business nature	Registered capital	Shareholding percentage (%)	Voting rights percentage (%)
Shougang Corporation	Beijing	Jin Wei	Industry, construction, geological exploration, transportation, etc.	RMB7,264 million	20.28	20.28
SGCC Yingda International Holdings Corporation, Ltd.	Beijing	Fei Shengying	Investment and assets operation and management; assets custody, rendering services for enterprise restructuring, M&A, strategic placement and venture capital investment; investment consultation; and investment advisory	RMB19 billion	18.24	18.24
DEUTSCHE BANK LUXEMBOURG S.A.	Luxembourg	Boris N. Liedtke	Conducting various proprietary and agency banking and financial businesses; engaging in insurance brokerage via natural persons with official license, and other activities directly or indirectly related.	EUR3,959 million	9.28	9.28
DEUTSCHE BANK AKTIENGESELLSCHAFT	Frankfurt, Federal Republic of Germany	John Cryan and Jürgen Fitschen	Engaging in various banking business, providing services in terms of capital, fund management, real estate finance, financing, research and advisory, etc.	EUR3,531 million	8.21	8.21

On 28 December 2015, PICC Property and Casualty Company Limited (PICC P&C) sign the *Equity Transfer Agreement* with DEUTSCHE BANK LUXEMBOURG S.A., DEUTSCHE BANK AKTIENGESELLSCHAFT and SAL.OPPENHEIM JR. & CIE.KOMMANDITGESELLSCHAFT AUF AKTIEN (collectively referred to as "DEUTSCHE BANK parties") that PICC P&C would accept 2,136,045,885 shares of the Bank held by the DEUTSCHE BANK parties, which account for 19.99% of the total share capital of the Bank. As at the disclosure date of the report, the above equity transfer is still subject to the approval of relevant authorities.

(2) Subsidiaries of the Bank

Please refer to Note VII Business Combination and Consolidated Financial Statements.

(3) Other related parties

Other related parties include:

(i) key management personnel (directors, supervisors and senior executives of the Head Office), or their close family members;

(ii) enterprises controlled or jointly controlled by key management personnel or their close family members;

(iii) State Grid Corporation of China (parent company of SGCC Yingda International Holdings Corporation, Ltd., the related party shareholder of the Bank) and its subsidiaries.

2. Related party transactions

Related party transactions between the Bank and its related parties, whose pricing will be based on general transaction price according to normal commercial terms, shall be subject to the approval of corresponding decision-making institution by transaction type.

(1) Related party transactions with shareholders holding no less than 5% shares in the Bank and exerting significant influence on the Bank and their subsidiaries

	31 December 2015		31 December 2014	
	Transaction balance	Percentage (%) ⁽ⁱ⁾	Transaction balance	Percentage (%) ⁽ⁱ⁾
Assets				
Loans and advances to customers				
Loans	7,470	0.90	7,090	0.77
Bills of exchange for imports/exports	31	0.83	–	–
Discounting	224	0.71	–	–
Interest receivables	16	0.15	12	0.13
Liabilities				
Placements from banks and other financial institutions	44	0.07	262	0.61
Due to customers	1,385	0.10	1,600	0.12
Due to banks and other financial institutions	14	0.01	2	–
Interest payable	9	0.06	42	0.24
Off-balance-sheet items				
Letters of guarantee issued	13	0.08	13	0.06
Letters of credit issued	869	1.24	597	0.78
Bank acceptances	1,273	0.40	302	0.09
	2015		2014	
	Transaction amount	Percentage (%) ⁽ⁱ⁾	Transaction amount	Percentage (%) ⁽ⁱ⁾
Interest income	517	0.57	415	0.44
Interest expense	34	0.08	55	0.11

(i) Percentage of related party transaction balance or amount in the total balance or amount of the Group's transactions of the same type.

(2) Related party transactions with subsidiaries

	31 December 2015	31 December 2014
Due from banks and other financial institutions	30	–
Due to banks and other financial institutions	3,265	374

Related party transactions between the Bank and its subsidiaries are offset in the preparation of the consolidated financial statements.

(3) Related parties transactions with other related parties

	31 December 2015		31 December 2014	
	Transaction balance	Percentage (%) ⁽ⁱ⁾	Transaction balance	Percentage (%) ⁽ⁱ⁾
Assets				
Loans and advances to customers	268	0.03	408	0.04
Available-for-sale financial assets	950	1.30	950	1.50
Held-to-maturity investments	600	0.31	600	0.44
Interest receivables	60	0.57	68	0.72
Liabilities				
Due to customers	587	0.04	1,090	0.08
Due to banks and other financial institutions	2	–	–	–
Interest payable	4	0.03	15	0.09
Off-balance-sheet items				
Letters of guarantee issued	16	0.10	2	0.01
Letters of credit issued	–	–	44	0.06
Bank acceptances	88	0.03	93	0.03

	2015		2014	
	Transaction amount	Percentage (%) ⁽ⁱ⁾	Transaction amount	Percentage (%) ⁽ⁱ⁾
Interest income	102	0.11	109	0.11
Interest expense	14	0.03	40	0.08

(i) Percentage of related party transaction balance or amount in the total balance or amount of the Group's transactions of the same type.

(4) Remuneration of key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Bank, directly or indirectly, including directors, supervisors and senior management members. Directors of the Bank are of the view that related party transactions between key management personnel stated above and the Bank are carried out under normal commercial terms as the same with those with non-related parties.

Remunerations of directors, supervisors and key senior management members received from the Bank are set out below:

	2015	2014
Remunerations	13	32

The final total compensation before tax for Chairman, President, Chairman of the Board of Supervisors, employee representative supervisors and other senior management members of the Bank is in the process of determination, and the remaining part will be disclosed separately after determination. Nevertheless, the Management of the Group expects that the difference between the above amount and the final compensation amount will not pose material influence on the consolidated financial statements of 2015.

(5) Enterprise annuity

Except the normal fund contribution to enterprise annuity created by the Bank and general banking businesses, the Bank has no related party transactions in 2015 and 2014.

XI. Contingencies and Commitments**1. Pending legal proceedings**

As at 31 December 2015, the claimed amount of pending legal proceedings where the Bank or any of its subsidiaries is the defendant or the third party totaled RMB309 million (RMB161 million as at 31 December 2014). Based on court order or suggestions of legal consultants, the Group has set aside provisions for losses arising from legal proceedings against it. The Management of the Group believes that the final court decision on these legal proceedings will not impose material impact on the Group's financial position or operation.

2. Capital expenditure commitments

	Note	The Group and the Bank	
		31 December 2015	31 December 2014
Capital commitments signed but not confirmed in the financial statements			
Commitment to purchase long-term assets	(1)	352	594
External investment commitments	(2)	60	60
Total		412	654

(1) Commitment to purchase long-term assets is the unpaid account estimated in construction-in-process of the Bank.

(2) On 14 October 2010, the 25th meeting of the 5th Board of Directors of the Bank reviewed and approved the *Proposal on Initiating the Setup of Songyang Hua Xia Rural Bank in Zhejiang*, agreeing to contribute capital to the setup of a rural bank in Songyang, Zhejiang Province with the registered capital of RMB50 million to RMB100 million, of which the Bank held 51% (inclusive) – 60% of shares. As at 31 December 2015, the rural bank was yet to be established.

3. Credit commitments

	The Group		The Bank	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Bank acceptances	315,187	327,567	315,109	327,323
Letters of credit issued	69,991	76,292	69,991	76,292
Letters of guarantee issued	16,091	21,263	16,091	21,262
Irrevocable loan commitment	19,008	10,376	17,722	10,176
Unused credit card limit	32,796	22,786	32,796	22,786
Total	453,073	458,284	451,709	457,839

4. Financial lease commitments

On the balance sheet date, the minimum lease payment maturity under the irrevocable financial lease contracts signed by the Group as the lessor is as follows:

	The Group	
	31 December 2015	31 December 2014
Within 1 year	1,286	200

5. Operating lease commitments

On the balance sheet date, the minimum lease payment maturity under the irrevocable operating lease contracts signed by the Group and the Bank as the lessee is as follows:

	The Group		The Bank	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Within 1 year	1,393	1,294	1,386	1,280
1 – 2 years	1,186	1,155	1,184	1,149
2 – 3 years	1,061	998	1,059	995
3 – 5 years	1,669	1,637	1,663	1,630
More than 5 years	1,319	1,515	1,315	1,508
Total	6,628	6,599	6,607	6,562

6. Collateral

(1) Collateral assets

On the balance sheet date, the book value of assets used as collaterals for transactions under repurchase agreements is as follows:

	The Group and the Bank	
	31 December 2015	31 December 2014
Bonds	71,115	40,490
Bills	10,774	119
Total	81,889	40,609

On 31 December 2015, the book value of financial assets under repurchase agreements of the Group was RMB80,491 million (31 December 2014: RMB40,202 million).

In addition, partial bond investment of the Group is used as collaterals for on-lending, third-party lending, time deposits of commercial banks under cash management of the central treasury and mid-term credit facility of PBOC or as collaterals according to regulatory requirements. On 31 December 2015, the book value of the above collaterals was RMB53,805 million (31 December 2014: RMB43,002 million).

(2) Collaterals received

The Group accepts such collaterals as cash or securities in relevant business under reverse repurchase agreements. Some of the securities accepted can be sold or re-used as collaterals. On 31 December 2015, the book value of such collaterals as securities that can be sold or reused as collaterals accepted by the Group was RMB100,293 million (31 December 2014: RMB99,000 million). On 31 December 2015, the book value of such collaterals that have been reused as collaterals by the Group and should be returned upon maturity was RMB7,919 million (31 December 2014: none).

7. Government bonds underwriting and redemption

As a member of the underwriter group of savings government bonds of the Ministry of Finance (MOF), the Group underwrites and sells savings government bonds as an agent. Holders of savings government bonds may request redemption in advance and the Group is obliged to perform the duty of redemption. The Group is obliged to redeem the principal of the savings government bonds and the interest payable determined according to the early redemption agreement.

On 31 December 2015, the Group is obliged to redeem the savings government bond principal of RMB7,700 million (31 December 2014: RMB6,335 million). The original term of the above savings government bonds ranges from 1 to 5 years. The Management expects that the amount of redemption of these savings government bonds through the Group prior to maturity will not be material.

The MOF will not provide fund for the early redemption of these savings government bonds in a timely manner but is obliged to repay the principal and the interest upon maturity or according to documents issued.

8. Entrusted transaction

(1) Entrusted deposits and loans

	The Group		The Bank	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Entrusted loans	265,291	310,849	264,861	310,419
Entrusted loan funds	265,291	310,849	264,861	310,419

(2) Entrusted investments

	The Group and the Bank	
	31 December 2015	31 December 2014
Entrusted investments	411,912	294,619

Entrusted investment means that the Group manages customer assets as entrusted by the non-principal-guaranteed wealth management customer and the investment risk of entrusted assets is taken by the customer.

XII. Transfer of financial assets

Asset-backed securities

The Bank conducts asset-backed securities transactions during the normal operation. The Bank sells part of financial assets to the Special Purpose Trust (SPT), which then issues asset-backed securities to investors.

As at the transfer date, the book value of securitized financial assets of the Bank for 2015 totaled RMB48,336 million. On 31 December 2015, the book value of securities held by the Group and the Bank was RMB530 million.

During the above transfer of financial transfer, as the issuance consideration equaled to the book value of the target financial assets, the Bank did not recognize any gains or losses. The Bank will charge certain fees as underlying assets service provider subsequently. Although the Bank sponsored the SPT, the Bank was not vested with the right of obtaining most of gains of the SPT nor the Bank bore most of risks of the SPT. Therefore, the Bank did not include the SPT into the consolidated management, that is, the SPT was not a component of the Group.

The Bank transferred part of financial assets and nearly all risks (mainly including part of credit risk, prepayment risk and interest rate risk of the target financial assets) thereof and returns therefrom to other investors, so the Bank derecognized such part of financial assets.

The Bank lost the right to use of such part of financial assets during the assets transfer period of asset-back securities transactions. Once the SPT established, such part of financial assets shall be discriminated from other assets without SPT. According to relevant transaction documents, in case of dissolution, liquidation, bankruptcy of the Bank, assets under the SPT shall not be subject to the liquidation.

Repurchase agreements

The Group conducted transactions under repurchase agreements with counterparties. On 31 December 2015, the book value of bond assets and bill assets sold by the Group under repurchase agreements totaled RMB81,889 million (31 December 2014: RMB40,609 million). At the same time, it undertook that it would repurchase such bonds or bills at the agreed-upon price on a preset future date. The sales income of the above bonds and bills was presented as financial assets under repurchase agreements, which was RMB80,491 million (31 December 2014: RMB40,202 million). According to the repurchase agreements, the legal ownership of the bonds and bills is not transferred during the transaction period. In addition, the Group shall not sell or mortgage such bonds and bills during the transaction period, without consent of both parties. Therefore, the Group deems that almost all the risks and compensations relating with such bonds and bills are retained within the Group. Consequently, the Group did not derecognize these bonds and bills from the consolidated financial statements; instead, it deemed them as collaterals for pledged loans acquired from counterparties. Claim of the counterparties is not limited to such transferred assets.

XIII. Structured entities

1. Interests and rights enjoyed in structured entities sponsored by the Group but excluded in the consolidated financial statements

Structured entities sponsored by the Group but excluded in the consolidated financial statements mainly include non-principal-guaranteed wealth management products and asset-backed securities issued by the Bank. The nature and purpose of these structured entities are to manage investors' assets and charge management fees. They raise fund by issuing investment products to investors.

As at the date of the balance sheet, the amount of unconsolidated structured entities sponsored by the Group and rights and interests therefrom are listed as follows:

The Group

31 December 2015					
	Sponsor amount	Book value	Maximum loss exposure	Income from structured entities in the year	Major income type
Non-principal-guaranteed wealth management products	411,912	–	–	5,431	Fee income
Asset-backed securities	48,336	530	530	33	Fee income and interest income
Total	460,248	530	530	5,464	

31 December 2014					
	Sponsor amount	Book value	Maximum loss exposure	Income from structured entities in the year	Major income type
Non-principal-guaranteed wealth management products	294,619	–	–	2,299	Fee income
Total	294,619	–	–	2,299	

As at 31 December 2015 and 31 December 2014, the Group provided no financial or other supports to structured entities excluded in the consolidated financial statements. It also has no plan to do so.

2. Rights and interests enjoyed in structured entities sponsored by third-party institutions

The Group enjoys rights and interests in structured entities sponsored by third-party institutions by directly holding investments. These structured entities mainly include beneficiary rights of assets and asset-backed securities whose nature and purpose are to manage investors' assets and charge management fees. They raise fund by issuing investment products to investors.

The book value and maximum loss exposure of rights and interests enjoyed by the Group in structured entities sponsored by third-party institutions by directly holding investments are presented as follows:

		The Group	
		31 December 2015	31 December 2014
	Items of the balance sheet		
Beneficiary rights of assets	Account receivable held for investment	74,584	197,908
Asset-backed securities	Held-to-maturity investments	6,230	3,475
Total		80,814	201,383

3. Consolidated structured entities

Consolidated structured entities of the Group were principal-guaranteed wealth management products issued by the Group.

XIV. Risk Management

1. Overview

The Group mainly faces credit risk, market risk and liquidity risk. Market risk includes exchange rate risk, interest rate risk and other price risks.

2. Risks management framework

The Management of the Group is responsible for determining the overall risk appetite, and reviewing and approving the risk management objectives and strategies of the Group.

The risk management framework: Senior Management of the Group is responsible for the overall and specific risk management, including implementing risk management strategies, measures and credit policies, approving the internal rules, measures and procedures concerning risk management and establishing a risk management department and other relevant departments to manage financial risks.

3. Credit risk

3.1 Credit risk management

Credit risk refers to the possibility of loss and uncertainty of income caused by customer default or decreased credit standing to a commercial bank, when the bank operates credit, inter-bank lending and investment businesses. The credit risk of the Group mainly exists in the on-balance-sheet and off-balance-sheet businesses including loans and advances, placements with banks and other financial institutions, inter-bank lending, bond investments, bill acceptance, L/C, and L/G. The credit risk management process of the Group confirms and manages the above risks by mainly focusing on pre-loan due diligence, credit rating, loan approval procedure, loan-granting management, post-lending monitoring and loan collection management procedure.

Before granting credit to a single customer, the Group will conduct credit appraisal first and regularly inspect the credit limit granted. The means for credit risk management include acquisition of collaterals and warranty. As for the off-balance-sheet credit commitment, the Group will charge security deposit to reduce the credit risk in general.

The Group classifies loans and advances to customers into five categories, namely pass, special-mention, substandard, doubtful and loss. The last three categories are deemed as non-performing loans (NPLs). Loan impairment is mainly determined by the possibility of repayment and recovery of principal and interest. Major assessment factors include repayment ability, credit record, repayment willingness, profitability of loan project, guarantee or mortgage measures and legal liability for loan repayment of the borrower. The Group sets aside allowance for loan impairment by collective assessment or individual assessment.

The Group assesses the impairment of the loans and advances to customers at the end of the reporting period according to the accounting policies specified in Note IV. In addition, at the end of the reporting period, the Group will analyze the contract amount of loans and advances to customers and report it to the Management for assessing credit risk.

The definitions of the Group's five-tier classifications of loans and advances to customers are listed as below:

- Pass: The borrower is able to perform the loan clauses and there is no reason for doubting the timely and full-amount repayment of loan principal and interest.
- Special-mention: Though the borrower is capable of repaying the loans at present, there are factors that are likely to adversely influence the repayment.
- Substandard: The repayment ability of the borrower is obviously doubtful and its normal operating income can't be fully relied on to repay the principal and interest. Even if guarantee or mortgage measures are taken, there still might be certain loss.
- Doubtful: The borrower can't repay the principal and interest in full amount. Even if guarantee or mortgage measures are taken, there must be material loss.
- Loss: The principal or interest can't be recovered or only a small portion can be recovered after the Group takes all possible measures and resorts to all necessary legal proceedings.

The accounting standards used by the Group to assess the impairment loss of financial assets are specified in Note IV-8(2) Impairment of Financial Assets.

3.2 Maximum credit risk exposure

Without regard to the available collaterals or other credit enhancement measures, the amounts of the maximum credit exposure on the balance sheet date are presented as follows:

	The Group	
	31 December 2015	31 December 2014
Balances with central banks	260,964	288,462
Due from and placements with banks and other financial institutions	80,466	81,774
Financial assets designated at fair value through profit or loss	11,872	9,066
Derivative financial assets	191	625
Financial assets held under resale agreements	245,297	123,136
Loans and advances to customers	1,041,937	916,105
Available-for-sale financial assets	73,118	63,366
Held-to-maturity investments	194,543	136,277
Account receivable held for investment	77,460	201,134
Other financial assets	13,552	12,231
On-balance-sheet credit risk exposure	1,999,400	1,832,176
Off-balance-sheet credit risk exposure	453,073	458,284
Maximum credit risk exposure	2,452,473	2,290,460

	The Bank	
	31 December 2015	31 December 2014
Balances with central banks	260,713	288,235
Due from and placements with banks and other financial institutions	79,966	81,676
Financial assets designated at fair value through profit or loss	11,872	9,066
Derivative financial assets	191	625
Financial assets held under resale agreements	245,297	123,136
Loans and advances to customers	1,004,855	887,839
Available-for-sale financial assets	73,118	63,366
Held-to-maturity investments	194,543	136,277
Account receivable held for investment	77,460	201,134
Other financial assets	13,319	12,184
On-balance-sheet credit risk exposure	1,961,334	1,803,538
Off-balance-sheet credit risk exposure	451,709	457,839
Maximum credit risk exposure	2,413,043	2,261,377

The Group will adopt a series of policies and credit enhancement measures to reduce the credit risk exposure to an acceptable level. Common methods include asking the borrower to pay security deposit or providing collaterals or warranty. The amount and type of collaterals required by the Group depend on the assessment of the credit risk of the counterparty. As for the type and assessment parameters of collaterals, the Group has formulated relevant guideline and it takes the acceptable type and its value as the specific implementation standard.

The types of collaterals accepted by the Group are as follows:

- (1) Reverse repurchase transactions: bills, bonds, etc;
- (2) Corporate loans: house property, machinery equipments, land use rights, certificate of deposits and equity, etc; and
- (3) Personal loans: house property and certificate of deposits, etc.

The Management regularly inspects the value of collaterals and requires the counterparty to increase the collaterals if necessary.

3.3 Derivative financial instruments

The credit risk of derivative financial instruments of the Group lies in whether the counterparty is able to make payments timely in line with the contract. As for the evaluation and control standard for credit risk of derivative financial instruments, the Group applied the same risk control standard with the other transactions.

3.4 Off-balance-sheet business risk

The Group includes the off-balance-sheet business into unified credit management. As for the off-balance-sheet businesses such as bank acceptance bills, L/C and L/G, the Bank requires authentic trading background, charges security deposit in corresponding proportion based on the credit status of customers and business risk level, and requires effective guarantee for the remaining parts. The Group strictly controls financing L/G and other high-risk off-balance-sheet businesses.

3.5 Credit quality of various assets with credit risk

31 December 2015 (the Group)					
	Neither overdue nor impaired financial assets	Overdue but not impaired financial assets	Impaired financial assets	Allowance for impairment losses	Total
Balances with central banks	260,964	–	–	–	260,964
Due from and placements with banks and other financial institutions	80,536	–	119	(189)	80,466
Financial assets designated at fair value through profit or loss	11,871	1	–	–	11,872
Derivative financial assets	191	–	–	–	191
Financial assets held under resale agreements	245,297	–	–	–	245,297
Loans and advances to customers	1,026,759	26,116	16,297	(27,235)	1,041,937
Available-for-sale financial assets	73,063	–	255	(200)	73,118
Held-to-maturity investments	194,543	–	–	–	194,543
Account receivable held for investment	78,054	289	–	(883)	77,460
Other financial assets	13,490	–	519	(457)	13,552
Total	1,984,768	26,406	17,190	(28,964)	1,999,400

31 December 2014 (the Group)					
	Neither overdue nor impaired financial assets	Overdue but not impaired financial assets	Impaired financial assets	Allowance for impairment losses	Total
Balances with central banks	288,462	–	–	–	288,462
Due from and placements with banks and other financial institutions	81,811	–	119	(156)	81,774
Financial assets designated at fair value through profit or loss	9,063	3	–	–	9,066
Derivative financial assets	625	–	–	–	625
Financial assets held under resale agreements	123,136	–	–	–	123,136
Loans and advances to customers	917,082	12,662	10,245	(23,884)	916,105
Available-for-sale financial assets	63,366	–	–	–	63,366
Held-to-maturity investments	136,277	–	–	–	136,277
Account receivable held for investment	202,196	–	–	(1,062)	201,134
Other financial assets	12,156	–	615	(540)	12,231
Total	1,834,174	12,665	10,979	(25,642)	1,832,176

31 December 2015 (the Bank)					
	Neither overdue nor impaired financial assets	Overdue but not impaired financial assets	Impaired financial assets	Allowance for impairment losses	Total
Balances with central banks	260,713	–	–	–	260,713
Due from and placements with banks and other financial institutions	80,036	–	119	(189)	79,966
Financial assets designated at fair value through profit or loss	11,871	1	–	–	11,872
Derivative financial assets	191	–	–	–	191
Financial assets held under resale agreements	245,297	–	–	–	245,297
Loans and advances to customers	989,056	26,082	16,292	(26,575)	1,004,855
Available-for-sale financial assets	73,063	–	255	(200)	73,118
Held-to-maturity investments	194,543	–	–	–	194,543
Account receivable held for investment	78,054	289	–	(883)	77,460
Other financial assets	13,257	–	519	(457)	13,319
Total	1,946,081	26,372	17,185	(28,304)	1,961,334

31 December 2014 (the Bank)					
	Neither overdue nor impaired financial assets	Overdue but not impaired financial assets	Impaired financial assets	Allowance for impairment losses	Total
Balances with central banks	288,235	–	–	–	288,235
Due from and placements with banks and other financial institutions	81,713	–	119	(156)	81,676
Financial assets designated at fair value through profit or loss	9,063	3	–	–	9,066
Derivative financial assets	625	–	–	–	625
Financial assets held under resale agreements	123,136	–	–	–	123,136
Loans and advances to customers	888,415	12,661	10,245	(23,482)	887,839
Available-for-sale financial assets	63,366	–	–	–	63,366
Held-to-maturity investments	136,277	–	–	–	136,277
Account receivable held for investment	202,196	–	–	(1,062)	201,134
Other financial assets	12,109	–	615	(540)	12,184
Total	1,805,135	12,664	10,979	(25,240)	1,803,538

Overdue financial assets refer to the financial assets with principal or interest overdue for 1 day or above.

3.6 Loans and advances to customers

(1) The Loans and advances are distributed by industry as follows:

Industry	The Group			
	31 December 2015		31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Manufacturing	213,414	19.96	212,005	22.55
Wholesale and retail	147,267	13.77	138,005	14.68
Leasing and commercial services	110,083	10.30	89,815	9.56
Construction	84,291	7.88	73,448	7.81
Real estate	78,867	7.38	76,170	8.10
Transportation, storage and postal services	50,704	4.74	49,794	5.30
Water conservancy, environment and public facilities management	42,344	3.96	25,390	2.70
Mining	31,930	2.99	28,441	3.04
Production and supply of electric power, heat, gas and water	25,366	2.37	22,966	2.44
Other corporate industries	52,523	4.92	40,832	4.34
Discounted bills	31,478	2.94	8,383	0.89
Personal loans	200,905	18.79	174,740	18.59
Total loans and advances to customers	1,069,172	100.00	939,989	100.00

Industry	The Bank			
	31 December 2015		31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Manufacturing	201,973	19.58	198,970	21.83
Wholesale and retail	147,018	14.25	137,804	15.12
Leasing and commercial services	110,059	10.67	89,785	9.85
Construction	83,714	8.12	73,378	8.05
Real estate	78,867	7.65	76,170	8.36
Transportation, storage and postal services	40,152	3.89	43,392	4.76
Water conservancy, environment and public facilities management	38,593	3.74	23,793	2.61
Mining	27,495	2.67	23,921	2.63
Production and supply of electric power, heat, gas and water	19,293	1.87	20,776	2.28
Other corporate industries	52,302	5.07	40,584	4.46
Discounted bills	31,477	3.05	8,383	0.92
Personal loans	200,487	19.44	174,365	19.13
Total loans and advances to customers	1,031,430	100.00	911,321	100.00

(2) The Loans and advances are distributed by region as follows:

Geographical area	The Group			
	31 December 2015		31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Northern and Northeastern China	391,413	36.61	333,331	35.46
Eastern China	300,165	28.07	269,904	28.71
Central China and Southern China	225,674	21.11	203,794	21.68
Western China	151,920	14.21	132,960	14.15
Total loans and advances to customers	1,069,172	100.00	939,989	100.00

Geographical area	The Bank			
	31 December 2015		31 December 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
Northern and Northeastern China	376,992	36.55	320,656	35.19
Eastern China	290,456	28.16	268,081	29.42
Central China and Southern China	220,203	21.35	194,780	21.37
Western China	143,779	13.94	127,804	14.02
Total loans and advances to customers	1,031,430	100.00	911,321	100.00

(3) The Loans and advances are distributed by collateral as follows:

	The Group		The Bank	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Unsecured loans	152,988	133,136	146,149	133,135
Guaranteed loans	374,272	299,161	348,645	298,471
Collateral loans	541,912	507,692	536,636	479,715
Of which: Mortgage loans	405,643	394,674	403,626	366,812
Pledged loans	136,269	113,018	133,010	112,903
Total loans and advances to customers	1,069,172	939,989	1,031,430	911,321

(4) Overdue loans

The Group					
31 December 2015					
	Overdue for 1 to 90 days (inclusive)	Overdue for 91 to 360 days (inclusive)	Overdue for 361 days to 3 years (inclusive)	Overdue for more than 3 years	Total
Unsecured loans	1,281	838	407	5	2,531
Guaranteed loans	3,345	8,922	5,224	367	17,858
Mortgage loans	3,807	7,645	3,387	716	15,555
Pledged loans	1,382	2,630	2,133	259	6,404
Total	9,815	20,035	11,151	1,347	42,348

The Group					
31 December 2014					
	Overdue for 1 to 90 days (inclusive)	Overdue for 91 to 360 days (inclusive)	Overdue for 361 days to 3 years (inclusive)	Overdue for more than 3 years	Total
Unsecured loans	990	359	307	5	1,661
Guaranteed loans	5,772	2,509	1,898	251	10,430
Mortgage loans	4,082	1,580	904	461	7,027
Pledged loans	1,432	1,526	509	241	3,708
Total	12,276	5,974	3,618	958	22,826

The Bank					
31 December 2015					
	Overdue for 1 to 90 days (inclusive)	Overdue for 91 to 360 days (inclusive)	Overdue for 361 days to 3 years (inclusive)	Overdue for more than 3 years	Total
Unsecured loans	1,281	838	407	5	2,531
Guaranteed loans	3,323	8,922	5,224	367	17,836
Mortgage loans	3,802	7,636	3,387	716	15,541
Pledged loans	1,379	2,630	2,133	259	6,401
Total	9,785	20,026	11,151	1,347	42,309

The Bank					
31 December 2014					
	Overdue for 1 to 90 days (inclusive)	Overdue for 91 to 360 days (inclusive)	Overdue for 361 days to 3 years (inclusive)	Overdue for more than 3 years	Total
Unsecured loans	990	359	307	5	1,661
Guaranteed loans	5,772	2,509	1,898	251	10,430
Mortgage loans	4,082	1,579	904	461	7,026
Pledged loans	1,432	1,526	509	241	3,708
Total	12,276	5,973	3,618	958	22,825

Note: If the principal or interest of any period of a loan is overdue for one day or above, the whole loan shall be classified as an overdue loan.

(5) Credit quality of loans and advances to customers

The Group			
	Note	31 December 2015	31 December 2014
Neither overdue nor impaired	(i)	1,026,759	917,082
Overdue but not impaired	(ii)	26,116	12,662
Impaired	(iii)	16,297	10,245
Total loans and advances to customers		1,069,172	939,989

The Bank			
	Note	31 December 2015	31 December 2014
Neither overdue nor impaired	(i)	989,056	888,415
Overdue but not impaired	(ii)	26,082	12,661
Impaired	(iii)	16,292	10,245
Total loans and advances to customers		1,031,430	911,321

Note: If the principal or interest of any period of a loan is overdue for one day or above, the whole loan shall be classified as an overdue loan.

(ii) Loans and advances neither overdue nor impaired

The Group			
31 December 2015			
	Total loans and advances to customers	Allowance for impairment losses on loans and advances	Book value
Corporate loans and advances	830,448	(13,116)	817,332
Personal loans and advances	196,311	(2,759)	193,552
Total	1,026,759	(15,875)	1,010,884

The Group			
31 December 2014			
	Total loans and advances to customers	Allowance for impairment losses on loans and advances	Book value
Corporate loans and advances	745,043	(13,698)	731,345
Personal loans and advances	172,039	(2,783)	169,256
Total	917,082	(16,481)	900,601

The Bank			
31 December 2015			
	Total loans and advances to customers	Allowance for impairment losses on loans and advances	Book value
Corporate loans and advances	793,160	(13,098)	780,062
Personal loans and advances	195,896	(2,748)	193,148
Total	989,056	(15,846)	973,210

The Bank			
31 December 2014			
	Total loans and advances to customers	Allowance for impairment losses on loans and advances	Book value
Corporate loans and advances	716,751	(13,305)	703,446
Personal loans and advances	171,664	(2,774)	168,890
Total	888,415	(16,079)	872,336

(ii) Loans and advances overdue but not impaired

Analysis on term of overdue but unimpaired loans and advances to customers is as follows:

31 December 2015 (the Group)						
	Overdue for no more than 30 days	Overdue for 31 to 60 days (inclusive)	Overdue for 61 to 90 days (inclusive)	Overdue for more than 90 days	Total	Fair value of collaterals
Corporate loans and advances	4,033	1,143	2,268	16,236	23,680	23,542
Personal loans and advances	1,111	490	492	343	2,436	1,816
Total	5,144	1,633	2,760	16,579	26,116	25,358

31 December 2014 (the Group)						
	Overdue for no more than 30 days	Overdue for 31 to 60 days (inclusive)	Overdue for 61 to 90 days (inclusive)	Overdue for more than 90 days	Total	Fair value of collaterals
Corporate loans and advances	5,211	2,863	1,994	925	10,993	9,037
Personal loans and advances	885	357	292	135	1,669	2,177
Total	6,096	3,220	2,286	1,060	12,662	11,214

31 December 2015 (the Bank)						
	Overdue for no more than 30 days	Overdue for 31 to 60 days (inclusive)	Overdue for 61 to 90 days (inclusive)	Overdue for more than 90 days	Total	Fair value of collaterals
Corporate loans and advances	4,011	1,140	2,268	16,228	23,647	23,507
Personal loans and advances	1,111	490	491	343	2,435	1,816
Total	5,122	1,630	2,759	16,571	26,082	25,323

31 December 2014 (the Bank)						
	Overdue for no more than 30 days	Overdue for 31 to 60 days (inclusive)	Overdue for 61 to 90 days (inclusive)	Overdue for more than 90 days	Total	Fair value of collaterals
Corporate loans and advances	5,211	2,863	1,994	924	10,992	9,034
Personal loans and advances	885	357	292	135	1,669	2,177
Total	6,096	3,220	2,286	1,059	12,661	11,211

(iii) Impaired loans and advances to customers

The Group			
31 December 2015			
	Total loans and advances to customers	Allowance for impairment losses on loans and advances	Book value
Individual assessment	14,141	(7,213)	6,928
Collective assessment	2,156	(1,498)	658
Total	16,297	(8,711)	7,586

The Group			
31 December 2014			
	Total loans and advances to customers	Allowance for impairment losses on loans and advances	Book value
Individual assessment	9,213	(5,595)	3,618
Collective assessment	1,032	(743)	289
Total	10,245	(6,338)	3,907

Of which:

The Group		
	31 December 2015	31 December 2014
Impaired loans assessed individually	14,141	9,213
Percentage of impaired loans assessed individually in total loans and advances to customers	1.32%	0.98%
Fair value of collaterals	16,504	9,023

The Bank			
31 December 2015			
	Total loans and advances to customers	Allowance for impairment losses on loans and advances	Book value
Individual assessment	14,136	(7,212)	6,924
Collective assessment	2,156	(1,498)	658
Total	16,292	(8,710)	7,582

The Bank			
31 December 2014			
	Total loans and advances to customers	Allowance for impairment losses on loans and advances	Book value
Individual assessment	9,213	(5,595)	3,618
Collective assessment	1,032	(743)	289
Total	10,245	(6,338)	3,907

Of which:

The Bank		
	31 December 2015	31 December 2014
Impaired loans assessed individually	14,136	9,213
Percentage of impaired loans assessed individually in total loans and advances to customers	1.37%	1.01%
Fair value of collaterals	16,504	9,023

3.7 Credit quality of debt instruments

The Group and the Bank			
	Note	31 December 2015	31 December 2014
Neither overdue nor impaired	(1)	357,531	410,902
Overdue but not impaired	(2)	290	3
Impaired	(3)	255	–
Total amount of debt instruments		358,076	410,905
Less: Allowance for impairment losses of debt instruments		(1,083)	(1,062)
Individual assessment		(200)	–
Collective assessment		(883)	(1,062)
Book value of debt instruments		356,993	409,843

(1) Neither overdue nor impaired debt instruments

The Group and the Bank					
31 December 2015					
Type of debt instruments	Financial assets measured at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Investments classified as receivables	Total
Government bonds	–	9,911	138,308	226	148,445
Bonds of public entities and quasi-governments	1,971	40,259	26,443	–	68,673
Bonds of financial institutions	–	–	20,455	2,650	23,105
Corporate bonds	9,900	22,893	3,967	–	36,760
Certificates of deposit with banks and other financial institutions	–	–	5,370	–	5,370
Beneficiary rights of assets	–	–	–	75,178	75,178
Total	11,871	73,063	194,543	78,054	357,531

The Group and the Bank

31 December 2014

Type of debt instruments	Financial assets measured at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Investments classified as receivables	Total
Government bonds	–	9,320	95,179	326	104,825
Bonds of public entities and quasi-governments	561	28,870	23,058	–	52,489
Bonds of financial institutions	201	–	11,796	2,900	14,897
Corporate bonds	8,301	25,176	4,267	–	37,744
Certificates of deposit with banks and other financial institutions	–	–	1,977	–	1,977
Beneficiary rights of assets	–	–	–	198,970	198,970
Total	9,063	63,366	136,277	202,196	410,902

(2) Debt instruments overdue but not impaired

The Group and the Bank

31 December 2015

Type of debt instruments	Financial assets measured at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Investments classified as receivables	Total
Bonds of financial institutions	1	–	–	–	1
Beneficiary rights of assets	–	–	–	289	289
Total	1	–	–	289	290

The Group and the Bank

31 December 2014

Type of debt instruments	Financial assets measured at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Investments classified as receivables	Total
Bonds of financial institutions	3	–	–	–	3
Beneficiary rights of assets	–	–	–	–	–
Total	3	–	–	–	3

(3) Impaired debt instruments

The Group and the Bank

31 December 2015

Type of debt instruments	Financial assets measured at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Investments classified as receivables	Total
Corporate bonds	–	255	–	–	255
Less: Allowance for impairment losses	–	(200)	–	–	(200)
Total	–	55	–	–	55

The Group and the Bank

31 December 2014

Type of debt instruments	Financial assets measured at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Investments classified as receivables	Total
Corporate bonds	–	–	–	–	–
Less: Allowance for impairment losses	–	–	–	–	–
Total	–	–	–	–	–

(4) The debt instruments are classified based on credit ratings of credit rating agencies widely accepted in the market

31 December 2015					
	No rating	AAA	AA	A	Total
Government bonds	122,233	26,212	–	–	148,445
Bonds of public entities and quasi-governments	65,481	3,192	–	–	68,673
Bonds of financial institutions	2,728	18,650	1,728	–	23,106
Corporate bonds	21,221	10,699	4,906	189	37,015
Certificates of deposit with banks and other financial institutions	5,370	–	–	–	5,370
Beneficiary rights of assets	75,467	–	–	–	75,467
Total	292,500	58,753	6,634	189	358,076

31 December 2014					
	No rating	AAA	AA	A	Total
Government bonds	104,825	–	–	–	104,825
Bonds of public entities and quasi-governments	49,221	3,268	–	–	52,489
Bonds of financial institutions	3,154	9,771	1,975	–	14,900
Corporate bonds	15,792	10,772	11,180	–	37,744
Certificates of deposit with banks and other financial institutions	1,977	–	–	–	1,977
Beneficiary rights of assets	198,970	–	–	–	198,970
Total	373,939	23,811	13,155	–	410,905

3.8 Renegotiated financial assets

The carrying amount of renegotiated financial assets which were identified as overdue or impaired is as follows:

	31 December 2015	31 December 2014
Loans and advances to customers	181	3

4. Liquidity risk

Liquidity risk is the risk that funds will not be available to make repayments when liabilities fall due. Liquidity risk may be resulted from mismatch of cash flows or terms between assets and liabilities.

The Bank has established the Asset & Liabilities Management Committee which is responsible for formulation, organization and implementation of the administrative policies on liquidity risk, established multi-channel financing mechanism, and designed a series of daily liquidity monitoring indicator systems complying with the actuality of the Bank based on the applicability principle, in accordance with the indicator system on liquidity risk monitoring of regulatory authorities. Meanwhile, taking into account both the economic efficiency and liquidity, the Bank held some government bonds and central bank bills in the assets portfolio, which could not only achieve stable investment income, but also be sold off or repurchased in the secondary market at any time to fulfill the liquidity requirements.

4.1 Liquidity analysis

(1) Maturity analysis

The table below analyzes the carrying amount of financial assets and liabilities during the residual maturity from the end of reporting period to expiry date of contract:

	The Group							
	31 December 2015							
	Overdue/ unlimited duration	Repayment on demand	No more than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	More than 5 years	Total
Financial assets								
Cash on hand and balances with central banks	198,538	65,444	–	–	112	–	–	264,094
Due from banks and other financial institutions	–	13,741	3,645	841	30,039	1,228	–	49,494
Placements with banks and other financial institutions	–	–	29,872	1,100	–	–	–	30,972
Financial assets designated at fair value through profit or loss	1	–	91	943	5,134	5,580	123	11,872
Derivative financial assets	–	–	65	51	74	1	–	191
Financial assets held under resale agreements	–	–	205,488	28,152	11,657	–	–	245,297
Loans and advances to customers	30,287	–	93,231	84,309	375,447	297,025	161,638	1,041,937
Available-for-sale financial assets	82	–	1,840	4,475	13,020	43,428	10,355	73,200
Held-to-maturity investments	–	–	983	3,945	12,572	74,460	102,583	194,543
Account receivable held for investment	289	–	2,659	1,239	24,497	43,752	5,024	77,460
Other financial assets	1,140	2,901	3,946	1,931	3,436	197	1	13,552
Total financial assets	230,337	82,086	341,820	126,986	475,988	465,671	279,724	2,002,612
Financial liabilities								
Due to central banks	–	–	20,000	–	10,027	–	–	30,027
Due from and placements with banks and other financial institutions	–	52,281	170,416	57,701	44,878	9,065	–	334,341
Derivative financial liabilities	–	–	26	55	88	–	–	169
Repurchase agreements	–	–	76,167	4,245	79	–	–	80,491
Due to customers	–	831,228	54,359	113,569	265,054	87,453	–	1,351,663
Debt obligations payable	–	–	8,791	19,993	23,109	15,000	–	66,893
Other financial liabilities	–	6,089	1,201	794	8,233	9,961	446	26,724
Total financial liabilities	–	889,598	330,960	196,357	351,468	121,479	446	1,890,308
Net position	230,337	(807,512)	10,860	(69,371)	124,520	344,192	279,278	112,304

The Group								
31 December 2014								
	Overdue/ unlimited duration	Repayment on demand	No more than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	More than 5 years	Total
Financial assets								
Cash on hand and balances with central banks	229,425	62,823	–	–	–	–	–	292,248
Due from banks and other financial institutions	–	10,234	10,880	10,666	29,411	1,475	–	62,666
Placements with banks and other financial institutions	–	–	18,108	–	1,000	–	–	19,108
Financial assets designated at fair value through profit or loss	3	–	902	1,100	2,384	4,348	329	9,066
Derivative financial assets	–	–	204	174	245	2	–	625
Financial assets held under resale agreements	–	–	59,778	62,245	1,113	–	–	123,136
Loans and advances to customers	14,635	–	74,504	85,258	335,132	247,853	158,723	916,105
Available-for-sale financial assets	82	–	200	919	7,919	42,837	11,491	63,448
Held-to-maturity investments	–	–	594	2,411	5,939	47,461	79,872	136,277
Account receivable held for investment	–	–	9,818	16,008	22,421	147,076	5,811	201,134
Other financial assets	87	2,837	3,926	2,328	2,059	992	2	12,231
Total financial assets	244,232	75,894	178,914	181,109	407,623	492,044	256,228	1,836,044
Financial liabilities								
Due to central banks	–	–	–	20,000	58	–	–	20,058
Due from and placements with banks and other financial institutions	–	20,862	107,577	71,680	112,417	14,442	–	326,978
Derivative financial liabilities	–	–	152	164	238	2	–	556
Repurchase agreements	–	–	38,504	1,683	15	–	–	40,202
Due to customers	–	722,750	563	79,920	382,246	117,737	–	1,303,216
Debt obligations payable	–	–	–	6,385	2,454	15,000	–	23,839
Other financial liabilities	–	3,178	984	2,070	6,984	10,278	374	23,868
Total financial liabilities	–	746,790	147,780	181,902	504,412	157,459	374	1,738,717
Net position	244,232	(670,896)	31,134	(793)	(96,789)	334,585	255,854	97,327

The Bank								
31 December 2015								
	Overdue/ unlimited duration	Repayment on demand	No more than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	More than 5 years	Total
Financial assets								
Cash on hand and balances with central banks	198,401	65,319	–	–	112	–	–	263,832
Due from banks and other financial institutions	–	13,436	3,450	841	30,039	1,228	–	48,994
Placements with banks and other financial institutions	–	–	29,872	1,100	–	–	–	30,972
Financial assets designated at fair value through profit or loss	1	–	91	943	5,134	5,580	123	11,872
Derivative financial assets	–	–	65	51	74	1	–	191
Financial assets held under resale agreements	–	–	205,488	28,152	11,657	–	–	245,297
Loans and advances to customers	30,251	–	92,299	81,951	365,588	275,096	159,670	1,004,855
Available-for-sale financial assets	82	–	1,840	4,475	13,020	43,428	10,355	73,200
Held-to-maturity investments	–	–	983	3,945	12,571	74,461	102,583	194,543
Account receivable held for investment	289	–	2,659	1,239	24,497	43,752	5,024	77,460
Other financial assets	1,140	2,680	3,934	1,931	3,436	197	1	13,319
Total financial assets	230,164	81,435	340,681	124,628	466,128	443,743	277,756	1,964,535
Financial liabilities								
Due to central banks	–	–	20,000	–	10,000	–	–	30,000
Due from and placements with banks and other financial institutions	–	55,588	164,316	56,701	24,432	6,117	–	307,154
Derivative financial liabilities	–	–	26	55	88	–	–	169
Repurchase agreements	–	–	76,167	4,245	79	–	–	80,491
Due to customers	–	830,299	54,292	113,405	264,648	87,356	–	1,350,000
Debt obligations payable	–	–	8,791	19,993	23,109	15,000	–	66,893
Other financial liabilities	–	6,077	1,074	498	7,092	6,259	164	21,164
Total financial liabilities	–	891,964	324,666	194,897	329,448	114,732	164	1,855,871
Net position	230,164	(810,529)	16,015	(70,269)	136,680	329,011	277,592	108,664

The Bank								
31 December 2014								
	Overdue/ unlimited duration	Repayment on demand	No more than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	More than 5 years	Total
Financial assets								
Cash on hand and balances with central banks	229,255	62,758	–	–	–	–	–	292,013
Due from banks and other financial institutions	–	10,156	10,860	10,666	29,411	1,475	–	62,568
Placements with banks and other financial institutions	–	–	18,108	–	1,000	–	–	19,108
Financial assets designated at fair value through profit or loss	3	–	902	1,100	2,384	4,348	329	9,066
Derivative financial assets	–	–	204	174	245	2	–	625
Financial assets held under resale agreements	–	–	59,778	62,245	1,113	–	–	123,136
Loans and advances to customers	14,634	–	73,963	83,721	328,250	228,950	158,321	887,839
Available-for-sale financial assets	82	–	200	919	7,919	42,837	11,491	63,448
Held-to-maturity investments	–	–	594	2,411	5,939	47,461	79,872	136,277
Account receivable held for investment	–	–	9,818	16,008	22,421	147,076	5,811	201,134
Other financial assets	87	2,795	3,921	2,328	2,059	992	2	12,184
Total financial assets	244,061	75,709	178,348	179,572	400,741	473,141	255,826	1,807,398
Financial liabilities								
Due to central banks	–	–	–	20,000	–	–	–	20,000
Due from and placements with banks and other financial institutions	–	21,105	104,847	69,858	97,477	13,691	–	306,978
Derivative financial liabilities	–	–	152	164	238	2	–	556
Repurchase agreements	–	–	38,504	1,683	15	–	–	40,202
Due to customers	–	721,945	500	79,792	381,986	117,672	–	1,301,895
Debt obligations payable	–	–	–	6,385	2,454	15,000	–	23,839
Other financial liabilities	–	3,169	940	1,980	6,593	7,202	76	19,960
Total financial liabilities	–	746,219	144,943	179,862	488,763	153,567	76	1,713,430
Net position	244,061	(670,510)	33,405	(290)	(88,022)	319,574	255,750	93,968

(2) Undiscounted contract cash flows classified by expiry date of contract

The table below presents the undiscounted cash flows of non-derivative financial assets and liabilities during the residual maturity from the end of reporting period to expiry date of the contract:

The Group								
31 December 2015								
	Overdue/ unlimited duration	Repayment on demand	No more than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	More than 5 years	Total
Financial assets								
Cash on hand and balances with central banks	198,539	65,443	–	–	112	–	–	264,094
Due from banks and other financial institutions	–	13,741	3,669	866	31,022	1,475	–	50,773
Placements with banks and other financial institutions	–	–	29,908	1,122	–	–	–	31,030
Financial assets designated at fair value through profit or loss	1	–	97	995	5,519	6,203	149	12,964
Financial assets held under resale agreements	–	–	206,012	28,533	11,828	–	–	246,373
Loans and advances to customers	41,699	–	99,673	93,757	408,193	360,509	221,482	1,225,313
Available-for-sale financial assets	82	–	2,199	5,130	15,000	49,129	11,631	83,171
Held-to-maturity investments	–	–	1,496	5,144	18,166	97,420	155,270	277,496
Account receivable held for investment	289	–	3,117	1,927	27,966	49,105	5,784	88,188
Other financial assets	38	2,901	–	–	–	10	–	2,949
Total financial assets	240,648	82,085	346,171	137,474	517,806	563,851	394,316	2,282,351
Financial liabilities								
Due to central banks	–	–	20,339	–	10,094	–	–	30,433
Due from and placements with banks and other financial institutions	–	52,304	171,687	58,419	46,419	10,591	–	339,420
Repurchase agreements	–	–	76,255	4,277	80	–	–	80,612
Due to customers	–	831,645	56,518	116,896	277,988	104,386	–	1,387,433
Debt obligations payable	–	–	8,801	20,135	24,397	17,088	–	70,421
Other financial liabilities	–	5,642	32	283	1,017	3,741	328	11,043
Total financial liabilities	–	889,591	333,632	200,010	359,995	135,806	328	1,919,362
Net position	240,648	(807,506)	12,539	(62,536)	157,811	428,045	393,988	362,989

The Group								
31 December 2014								
	Overdue/ unlimited duration	Repayment on demand	No more than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	More than 5 years	Total
Financial assets								
Cash on hand and balances with central banks	229,425	62,823	–	–	–	–	–	292,248
Due from banks and other financial institutions	–	10,234	11,066	11,255	30,327	1,712	–	64,594
Placements with banks and other financial institutions	–	–	18,158	14	1,014	–	–	19,186
Financial assets designated at fair value through profit or loss	3	–	926	1,183	2,733	5,049	383	10,277
Financial assets held under resale agreements	–	–	60,379	63,088	1,140	–	–	124,607
Loans and advances to customers	22,194	–	80,684	95,590	370,042	321,139	226,720	1,116,369
Available-for-sale financial assets	82	–	439	1,464	10,106	49,319	12,952	74,362
Held-to-maturity investments	–	–	969	3,466	10,206	65,570	132,109	212,320
Account receivable held for investment	–	–	10,780	18,877	30,006	165,515	7,157	232,335
Other financial assets	49	2,837	–	–	–	10	–	2,896
Total financial assets	251,753	75,894	183,401	194,937	455,574	608,314	379,321	2,149,194
Financial liabilities								
Due to central banks	–	–	–	20,179	59	–	–	20,238
Due from and placements with banks and other financial institutions	–	21,173	108,378	73,757	117,523	16,753	–	337,584
Repurchase agreements	–	–	38,574	1,700	15	–	–	40,289
Due to customers	–	723,092	1,093	80,874	392,764	130,854	–	1,328,677
Debt obligations payable	–	–	–	6,600	3,385	17,973	–	27,958
Other financial liabilities	–	2,519	22	62	227	3,097	374	6,301
Total financial liabilities	–	746,784	148,067	183,172	513,973	168,677	374	1,761,047
Net position	251,753	(670,890)	35,334	11,765	(58,399)	439,637	378,947	388,147

The Bank								
31 December 2015								
	Overdue/ unlimited duration	Repayment on demand	No more than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	More than 5 years	Total
Financial assets								
Cash on hand and balances with central banks	198,401	65,319	–	–	112	–	–	263,832
Due from banks and other financial institutions	–	13,436	3,474	866	31,022	1,475	–	50,273
Placements with banks and other financial institutions	–	–	29,908	1,122	–	–	–	31,030
Financial assets designated at fair value through profit or loss	1	–	97	995	5,519	6,203	149	12,964
Financial assets held under resale agreements	–	–	206,012	28,533	11,828	–	–	246,373
Loans and advances to customers	41,660	–	98,563	90,993	397,143	336,248	219,328	1,183,935
Available-for-sale financial assets	82	–	2,199	5,130	15,000	49,129	11,631	83,171
Held-to-maturity investments	–	–	1,496	5,144	18,166	97,420	155,270	277,496
Account receivable held for investment	289	–	3,117	1,927	27,966	49,105	5,784	88,188
Other financial assets	38	2,680	–	–	–	10	–	2,728
Total financial assets	240,471	81,435	344,866	134,710	506,756	539,590	392,162	2,239,990
Financial liabilities								
Due to central banks	–	–	20,339	–	10,067	–	–	30,406
Due from and placements with banks and other financial institutions	–	55,612	165,375	57,309	25,422	7,315	–	311,033
Repurchase agreements	–	–	76,255	4,277	80	–	–	80,612
Due to customers	–	830,711	56,450	116,730	277,576	104,283	–	1,385,750
Debt obligations payable	–	–	8,801	20,135	24,397	17,088	–	70,421
Other financial liabilities	–	5,632	2	2	8	41	46	5,731
Total financial liabilities	–	891,955	327,222	198,453	337,550	128,727	46	1,883,953
Net position	240,471	(810,520)	17,644	(63,743)	169,206	410,863	392,116	356,037

The Bank								
31 December 2014								
	Overdue/ unlimited duration	Repayment on demand	No more than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	More than 5 years	Total
Financial assets								
Cash on hand and balances with central banks	229,255	62,758	–	–	–	–	–	292,013
Due from banks and other financial institutions	–	10,156	11,046	11,255	30,327	1,712	–	64,496
Placements with banks and other financial institutions	–	–	18,158	14	1,014	–	–	19,186
Financial assets designated at fair value through profit or loss	3	–	926	1,183	2,733	5,049	383	10,277
Financial assets held under resale agreements	–	–	60,379	63,088	1,140	–	–	124,607
Loans and advances to customers	22,193	–	79,886	93,375	362,314	300,271	226,304	1,084,343
Available-for-sale financial assets	82	–	439	1,464	10,106	49,319	12,952	74,362
Held-to-maturity investments	–	–	969	3,466	10,206	65,570	132,109	212,320
Account receivable held for investment	–	–	10,780	18,877	30,006	165,515	7,157	232,335
Other financial assets	49	2,795	–	–	–	10	–	2,854
Total financial assets	251,582	75,709	182,583	192,722	447,846	587,446	378,905	2,116,793
Financial liabilities								
Due to central banks	–	–	–	20,179	–	–	–	20,179
Due from and placements with banks and other financial institutions	–	21,417	105,555	71,790	101,964	16,010	–	316,736
Repurchase agreements	–	–	38,574	1,700	15	–	–	40,289
Due to customers	–	722,282	1,029	80,745	392,501	130,789	–	1,327,346
Debt obligations payable	–	–	–	6,600	3,385	17,973	–	27,958
Other financial liabilities	–	2,515	1	1	4	21	76	2,618
Total financial liabilities	–	746,214	145,159	181,015	497,869	164,793	76	1,735,126
Net position	251,582	(670,505)	37,424	11,707	(50,023)	422,653	378,829	381,667

Assets that can be used for repaying all liabilities and fulfilling outstanding loan commitment include cash on hand and balance with central banks, due from and placements with banks and other financial institutions and financial assets measured at fair value through profit or loss, etc. In normal operation, most due deposits are still retained within the Group instead of withdrawn immediately on the maturity date. Besides, available-for-sale financial assets can be disposed of when necessary to repay matured debts.

4.2 Off-balance-sheet items

Off-balance-sheet items of the Group mainly include bank acceptance bills, letter of credit issued, letter of guarantee issued, irrevocable loan commitments and unused credit card limit. Amounts of off-balance-sheet items are presented in the table below by residual maturity of contract:

The Group				
31 December 2015				
	No more than 1 year	1 – 5 years	Over 5 years	Total
Bank acceptances	315,187	–	–	315,187
Letters of credit issued	68,887	1,104	–	69,991
Letters of guarantee issued	8,560	7,494	37	16,091
Irrevocable loan commitment	16,998	2,010	–	19,008
Unused credit card limit	32,796	–	–	32,796
Total	442,428	10,608	37	453,073

The Group				
31 December 2014				
	No more than 1 year	1 – 5 years	Over 5 years	Total
Bank acceptances	327,567	–	–	327,567
Letters of credit issued	75,680	612	–	76,292
Letters of guarantee issued	12,928	7,308	1,027	21,263
Irrevocable loan commitment	8,376	2,000	–	10,376
Unused credit card limit	22,786	–	–	22,786
Total	447,337	9,920	1,027	458,284

The Bank				
31 December 2015				
	No more than 1 year	1 – 5 years	Over 5 years	Total
Bank acceptances	315,109	–	–	315,109
Letters of credit issued	68,887	1,104	–	69,991
Letters of guarantee issued	8,560	7,494	37	16,091
Irrevocable loan commitment	15,712	2,010	–	17,722
Unused credit card limit	32,796	–	–	32,796
Total	441,064	10,608	37	451,709

The Bank				
31 December 2014				
	No more than 1 year	1 – 5 years	Over 5 years	Total
Bank acceptances	327,323	–	–	327,323
Letters of credit issued	75,680	612	–	76,292
Letters of guarantee issued	12,927	7,308	1,027	21,262
Irrevocable loan commitment	8,176	2,000	–	10,176
Unused credit card limit	22,786	–	–	22,786
Total	446,892	9,920	1,027	457,839

5. Market risk

Market risk means the possibility of loss to the Group's on- and off-balance-sheet businesses that results from changes in the market prices (including exchange rate, interest rate, commodity price and stock price). Market risk of the Group mainly consists of exchange rate risk and interest rate risk. Exchange rate risk of the Group mainly refers to risk of loss caused by exchange rate fluctuation in exposure of assets and liabilities denominated in foreign currency. Interest rate risk mainly refers to risk of loss caused by interest rate fluctuation arising from mismatches between the repricing dates of interest-generating assets and interest-bearing liabilities.

5.1 Exchange rate risk

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD and other currencies. Transactions in foreign currencies mainly include the Group's treasury operation exposure and foreign exchange business.

As for the business varieties involving exchange rate risk, the Group strictly manages various links of development, launching and operation, and formulates necessary risk control system in terms of business authorization, exposure limits and process monitoring. The Bank divides its foreign exchange trading businesses between banking book and trading book and the foreign exchange exposure of the whole bank is managed by the Head Office in a unified manner.

At the end of the reporting period, exchange rate risk of financial assets and financial liabilities is as follows:

The Group					
31 December 2015					
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currency (RMB equivalent)	Total
Cash on hand and balances with central banks	245,272	18,722	58	42	264,094
Due from banks and other financial institutions	36,695	11,333	283	1,183	49,494
Placements with banks and other financial institutions	30,972	—	—	—	30,972
Financial assets designated at fair value through profit or loss	11,871	1	—	—	11,872
Derivative financial assets	7	169	—	15	191
Financial assets held under resale agreements	245,297	—	—	—	245,297
Loans and advances to customers	1,016,369	25,367	105	96	1,041,937
Available-for-sale financial assets	73,200	—	—	—	73,200
Held-to-maturity investments	194,543	—	—	—	194,543
Account receivable held for investment	77,460	—	—	—	77,460
Other financial assets	13,150	401	1	—	13,552
Total financial assets	1,944,836	55,993	447	1,336	2,002,612
Due to central banks	30,027	—	—	—	30,027
Due from and placements with banks and other financial institutions	329,920	4,351	62	8	334,341
Derivative financial liabilities	7	153	—	9	169
Repurchase agreements	80,491	—	—	—	80,491
Due to customers	1,317,797	32,301	330	1,235	1,351,663
Debt obligations payable	66,893	—	—	—	66,893
Other financial liabilities	25,452	763	3	506	26,724
Total financial liabilities	1,850,587	37,568	395	1,758	1,890,308
Net exposure	94,249	18,425	52	(422)	112,304

The Group					
31 December 2014					
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currency (RMB equivalent)	Total
Cash on hand and balances with central banks	271,667	20,468	76	37	292,248
Due from banks and other financial institutions	53,196	8,242	226	1,002	62,666
Placements with banks and other financial institutions	19,108	–	–	–	19,108
Financial assets designated at fair value through profit or loss	9,063	3	–	–	9,066
Derivative financial assets	2	550	–	73	625
Financial assets held under resale agreements	123,136	–	–	–	123,136
Loans and advances to customers	884,679	30,851	466	109	916,105
Available-for-sale financial assets	63,447	1	–	–	63,448
Held-to-maturity investments	136,277	–	–	–	136,277
Account receivable held for investment	201,134	–	–	–	201,134
Other financial assets	11,925	301	5	–	12,231
Total financial assets	1,773,634	60,416	773	1,221	1,836,044
Due to central banks	20,058	–	–	–	20,058
Due from and placements with banks and other financial institutions	317,311	9,625	–	42	326,978
Derivative financial liabilities	3	477	–	76	556
Repurchase agreements	40,202	–	–	–	40,202
Due to customers	1,270,626	30,969	746	875	1,303,216
Debt obligations payable	23,839	–	–	–	23,839
Other financial liabilities	22,411	906	8	543	23,868
Total financial liabilities	1,694,450	41,977	754	1,536	1,738,717
Net exposure	79,184	18,439	19	(315)	97,327

The Bank					
31 December 2015					
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currency (RMB equivalent)	Total
Cash on hand and balances with central banks	245,010	18,722	58	42	263,832
Due from banks and other financial institutions	36,195	11,333	283	1,183	48,994
Placements with banks and other financial institutions	30,972	—	—	—	30,972
Financial assets designated at fair value through profit or loss	11,871	1	—	—	11,872
Derivative financial assets	7	169	—	15	191
Financial assets held under resale agreements	245,297	—	—	—	245,297
Loans and advances to customers	979,287	25,367	105	96	1,004,855
Available-for-sale financial assets	73,200	—	—	—	73,200
Held-to-maturity investments	194,543	—	—	—	194,543
Account receivable held for investment	77,460	—	—	—	77,460
Other financial assets	12,917	401	1	—	13,319
Total financial assets	1,906,759	55,993	447	1,336	1,964,535
Due to central banks	30,000	—	—	—	30,000
Due from and placements with banks and other financial institutions	302,733	4,351	62	8	307,154
Derivative financial liabilities	7	153	—	9	169
Repurchase agreements	80,491	—	—	—	80,491
Due to customers	1,316,134	32,301	330	1,235	1,350,000
Debt obligations payable	66,893	—	—	—	66,893
Other financial liabilities	19,892	763	3	506	21,164
Total financial liabilities	1,816,150	37,568	395	1,758	1,855,871
Net exposure	90,609	18,425	52	(422)	108,664

The Bank					
31 December 2014					
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currency (RMB equivalent)	Total
Cash on hand and balances with central banks	271,432	20,468	76	37	292,013
Due from banks and other financial institutions	53,098	8,242	226	1,002	62,568
Placements with banks and other financial institutions	19,108	–	–	–	19,108
Financial assets designated at fair value through profit or loss	9,063	3	–	–	9,066
Derivative financial assets	2	550	–	73	625
Financial assets held under resale agreements	123,136	–	–	–	123,136
Loans and advances to customers	856,413	30,851	466	109	887,839
Available-for-sale financial assets	63,447	1	–	–	63,448
Held-to-maturity investments	136,277	–	–	–	136,277
Account receivable held for investment	201,134	–	–	–	201,134
Other financial assets	11,878	301	5	–	12,184
Total financial assets	1,744,988	60,416	773	1,221	1,807,398
Due to central banks	20,000	–	–	–	20,000
Due from and placements with banks and other financial institutions	297,311	9,625	–	42	306,978
Derivative financial liabilities	3	477	–	76	556
Repurchase agreements	40,202	–	–	–	40,202
Due to customers	1,269,305	30,969	746	875	1,301,895
Debt obligations payable	23,839	–	–	–	23,839
Other financial liabilities	18,503	906	8	543	19,960
Total financial liabilities	1,669,163	41,977	754	1,536	1,713,430
Net exposure	75,825	18,439	19	(315)	93,968

The potential impact on pre-tax profit and shareholders' equity is presented below, in the case that the spot and forward exchange rates of RMB against all foreign currencies appreciate or depreciate by 5% at the same time.

	The Group and the Bank			
	2015		2014	
	Pre-tax profit	Equity	Pre-tax profit	Equity
Appreciation by 5%	49	49	45	45
Depreciation by 5%	(49)	(49)	(45)	(45)

Impact on pre-tax profit arises from impact of RMB exchange rate fluctuation on net exposure of monetary assets and liabilities and monetary derivative instruments denominated in foreign currency.

The impact on pre-tax profit is determined based on the assumption that the Group's exchange rate sensitive position and net position of monetary derivative instruments remain unchanged on balance sheet dates. The Group actively adjusts foreign currency exposure and applies proper derivative instruments to reduce the foreign exchange risk, based on the Management's judgment on the exchange rate fluctuation trend. Therefore, the sensitivity analysis above may deviate from the actualities to some extent.

5.2 Interest rate risk

The Group's interest rate risk mainly arises from the mismatches between the repricing dates of interest-generating assets and interest-bearing liabilities. The Group's interest-generating assets and interest-bearing liabilities are mainly denominated in RMB. Since 20 July 2013, PBOC has removed its control over loan interest rates of financial institutions in an all-round manner. Since 24 October 2015, PBOC has removed the floating ceiling of deposit interest rates for commercial banks and rural cooperative financial institutions.

The Group intensified the cost control over interest-bearing liabilities management, established term and interest rate structure matching with the interest-bearing liabilities over the interest-generating assets management, optimized assets and liabilities portfolio management, and proactively developed fee-based business and non-interest rate sensitive financial products, so as to reduce the impact of interest rate risk on the Group's operation.

At the end of reporting periods, the expiry date of contract or repricing date (whichever is earlier) of financial assets and financial liabilities is as follows:

The Group							
31 December 2015							
	No more than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	More than 5 years	Overdue/ non- interest generating	Total
Cash on hand and balances with central banks	241,055	–	–	–	–	23,039	264,094
Due from banks and other financial institutions	17,386	841	30,039	1,228	–	–	49,494
Placements with banks and other financial institutions	29,872	1,100	–	–	–	–	30,972
Financial assets designated at fair value through profit or loss	91	1,145	4,942	5,570	123	1	11,872
Derivative financial assets	–	–	–	–	–	191	191
Financial assets held under resale agreements	205,488	28,152	11,657	–	–	–	245,297
Loans and advances to customers	352,741	166,703	350,563	124,231	17,412	30,287	1,041,937
Available-for-sale financial assets	2,811	9,318	12,025	39,317	9,647	82	73,200
Held-to-maturity investments	6,817	5,826	13,285	68,493	100,122	–	194,543
Account receivable held for investment	6,706	10,978	22,589	33,855	3,043	289	77,460
Other financial assets	192	–	–	–	–	13,360	13,552
Total financial assets	863,159	224,063	445,100	272,694	130,347	67,249	2,002,612
Due to central banks	20,000	–	10,027	–	–	–	30,027
Due from and placements with banks and other financial institutions	222,697	57,701	44,878	9,065	–	–	334,341
Derivative financial liabilities	–	–	–	–	–	169	169
Repurchase agreements	76,167	4,245	79	–	–	–	80,491
Due to customers	865,647	113,737	264,867	87,773	–	19,639	1,351,663
Debt obligations payable	8,791	19,993	24,709	13,400	–	–	66,893
Other financial liabilities	1,144	–	–	–	–	25,580	26,724
Total financial liabilities	1,194,446	195,676	344,560	110,238	–	45,388	1,890,308
Interest rate risk exposure	(331,287)	28,387	100,540	162,456	130,347	21,861	112,304

The Group							
31 December 2014							
	No more than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	More than 5 years	Overdue/ non- interest generating	Total
Cash on hand and balances with central banks	268,457	–	–	–	–	23,791	292,248
Due from banks and other financial institutions	21,114	10,666	29,411	1,475	–	–	62,666
Placements with banks and other financial institutions	18,108	–	1,000	–	–	–	19,108
Financial assets designated at fair value through profit or loss	902	1,300	2,414	4,118	329	3	9,066
Derivative financial assets	–	–	–	–	–	625	625
Financial assets held under resale agreements	59,779	62,244	1,113	–	–	–	123,136
Loans and advances to customers	475,020	191,321	165,480	61,146	8,503	14,635	916,105
Available-for-sale financial assets	1,709	6,446	10,564	34,663	9,984	82	63,448
Held-to-maturity investments	4,178	4,280	6,459	42,512	78,848	–	136,277
Account receivable held for investment	15,554	26,346	20,622	135,510	3,102	–	201,134
Other financial assets	175	–	–	–	–	12,056	12,231
Total financial assets	864,996	302,603	237,063	279,424	100,766	51,192	1,836,044
Due to central banks	–	20,000	58	–	–	–	20,058
Due from and placements with banks and other financial institutions	129,043	72,167	112,077	13,691	–	–	326,978
Derivative financial liabilities	–	–	–	–	–	556	556
Repurchase agreements	38,504	1,683	15	–	–	–	40,202
Due to customers	719,398	79,920	382,246	117,737	–	3,915	1,303,216
Debt obligations payable	–	6,385	4,054	13,400	–	–	23,839
Other financial liabilities	1,149	–	–	–	–	22,719	23,868
Total financial liabilities	888,094	180,155	498,450	144,828	–	27,190	1,738,717
Interest rate risk exposure	(23,098)	122,448	(261,387)	134,596	100,766	24,002	97,327

The Bank							
31 December 2015							
	No more than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	More than 5 years	Overdue/ non- interest generating	Total
Cash on hand and balances with central banks	240,803	–	–	–	–	23,029	263,832
Due from banks and other financial institutions	16,886	841	30,039	1,228	–	–	48,994
Placements with banks and other financial institutions	29,872	1,100	–	–	–	–	30,972
Financial assets designated at fair value through profit or loss	91	1,145	4,942	5,570	123	1	11,872
Derivative financial assets	–	–	–	–	–	191	191
Financial assets held under resale agreements	205,488	28,152	11,657	–	–	–	245,297
Loans and advances to customers	350,772	139,019	343,258	124,158	17,397	30,251	1,004,855
Available-for-sale financial assets	2,811	9,318	12,025	39,317	9,647	82	73,200
Held-to-maturity investments	6,817	5,826	13,285	68,493	100,122	–	194,543
Account receivable held for investment	6,706	10,978	22,589	33,855	3,043	289	77,460
Other financial assets	192	–	–	–	–	13,127	13,319
Total financial assets	860,438	196,379	437,795	272,621	130,332	66,970	1,964,535
Due to central banks	20,000	–	10,000	–	–	–	30,000
Due from and placements with banks and other financial institutions	219,904	56,701	24,432	6,117	–	–	307,154
Derivative financial liabilities	–	–	–	–	–	169	169
Repurchase agreements	76,167	4,245	79	–	–	–	80,491
Due to customers	864,993	113,405	264,648	87,356	–	19,598	1,350,000
Debt obligations payable	8,791	19,993	24,709	13,400	–	–	66,893
Other financial liabilities	1,144	–	–	–	–	20,020	21,164
Total financial liabilities	1,190,999	194,344	323,868	106,873	–	39,787	1,855,871
Interest rate risk exposure	(330,561)	2,035	113,927	165,748	130,332	27,183	108,664

The Bank							
31 December 2014							
	No more than 1 month	1 – 3 months	3 – 12 months	1 – 5 years	More than 5 years	Overdue/ non- interest generating	Total
Cash on hand and balances with central banks	268,229	–	–	–	–	23,784	292,013
Due from banks and other financial institutions	21,016	10,666	29,411	1,475	–	–	62,568
Placements with banks and other financial institutions	18,108	–	1,000	–	–	–	19,108
Financial assets designated at fair value through profit or loss	902	1,300	2,414	4,118	329	3	9,066
Derivative financial assets	–	–	–	–	–	625	625
Financial assets held under resale agreements	59,779	62,244	1,113	–	–	–	123,136
Loans and advances to customers	467,948	175,031	160,633	61,097	8,496	14,634	887,839
Available-for-sale financial assets	1,709	6,446	10,564	34,663	9,984	82	63,448
Held-to-maturity investments	4,178	4,280	6,459	42,512	78,848	–	136,277
Account receivable held for investment	15,554	26,346	20,622	135,510	3,102	–	201,134
Other financial assets	175	–	–	–	–	12,009	12,184
Total financial assets	857,598	286,313	232,216	279,375	100,759	51,137	1,807,398
Due to central banks	–	20,000	–	–	–	–	20,000
Due from and placements with banks and other financial institutions	125,952	69,858	97,477	13,691	–	–	306,978
Derivative financial liabilities	–	–	–	–	–	556	556
Repurchase agreements	38,504	1,683	15	–	–	–	40,202
Due to customers	718,529	79,792	381,986	117,672	–	3,916	1,301,895
Debt obligations payable	–	6,385	4,054	13,400	–	–	23,839
Other financial liabilities	1,149	–	–	–	–	18,811	19,960
Total financial liabilities	884,134	177,718	483,532	144,763	–	23,283	1,713,430
Interest rate risk exposure	(26,536)	108,595	(251,316)	134,612	100,759	27,854	93,968

The table below presents the potential impact on net interest income and shareholders' equity in consideration of structure of the Group's interest-generating assets and interest-bearing liabilities at the end of the reporting period, in the case that the yield curves of all financial instruments go up or down in a parallel manner by 100 basis points.

	The Group			
	2015		2014	
	Net interest income	Shareholders' equity	Net interest income	Shareholders' equity
Up 100 basis points	(2,561)	(1,821)	(181)	(1,793)
Down 100 basis points	2,561	1,907	181	1,877

	The Bank			
	2015		2014	
	Net interest income	Shareholders' equity	Net interest income	Shareholders' equity
Up 100 basis points	(2,724)	(1,821)	(292)	(1,793)
Down 100 basis points	2,724	1,907	292	1,877

The sensitivity analysis on net interest income is conducted based on the reasonably possible changes in interest rates, with the assumption that the structure of financial assets and liabilities held at the end of the period remains unchanged.

Sensitivity analysis on equity is conducted based on the impact of interest rate change on changes in fair value of fixed-rate available-for-sale financial assets held on balance sheet dates after revaluation.

The above assumptions do not reflect the Group's policies on fund use and interest rate risk management. Therefore, the above analysis may deviate from the actualities to some extent.

In addition, the above analysis on impact of interest rate changes is only used as an example to demonstrate the estimated changes in net interest income and equity at various predicted yield levels and amidst the Group's current interest rate risk profile. Yet, it does not take into account the possible risk management measures the Management may take to reduce interest rate risk.

6. Capital management

Since 2013, the Group has managed capital in accordance with the *Regulation Governing Capital of Commercial Banks (Provisional)* issued by the CBRC. In particular, credit risk is measured by the weighting approach, market risk the standard approach and operational risk the basic indicator approach.

Capital composition of the Group is as follows:

Core tier-1 capital: share capital, capital reserve, other comprehensive income, surplus reserve, general risk reserve, retained profit and recognizable part of capital contribution from minority shareholders;

Other tier-1 capital: recognizable part of capital contribution from minority shareholders;

Tier-2 capital: tier-2 capital instruments and premium thereof, excessive allowance for impairment losses on loans and recognizable part of capital contribution from minority shareholders.

Net capital is calculated by deducting corresponding capital deductions from capital at all levels in accordance with the *Regulation Governing Capital of Commercial Banks (Provisional)*.

The Management of the Group monitors the adequacy of capital and application of regulatory capital in a real-time manner based on relevant guideline of the Basel Committee and regulatory requirements of the CBRC.

To ensure the capital adequacy ratio meeting the regulatory requirement and support balanced and sound development of various businesses on this basis, the Group proactively expanded the capital supplementary channel to promote the capital strength, reasonably controlled the growth rate of risk assets, vigorously optimized the structure of risk assets and strived to enhance the utilization efficiency of risk assets.

The Group calculated the net capital at all levels and the capital adequacy ratio in accordance with the *Regulation Governing Capital of Commercial Banks (Provisional)* issued by the CBRC. Particulars are as follows:

	31 December 2015	31 December 2014
Net tier-1 core capital	118,248	101,987
Net tier-1 capital	118,287	102,007
Net capital	144,336	132,441
Core tier-1 capital adequacy ratio	8.89%	8.49%
Tier-1 capital adequacy ratio	8.89%	8.49%
Capital adequacy ratio	10.85%	11.03%

7. Fair value of financial assets and financial liabilities

Fair value refers to the amount received from selling an asset or the amount to be paid for transferring a liability by market players in orderly transactions on the measurement date. Whether the fair value is observed or estimated with valuation techniques, it is the basis of the fair value measured and disclosed in these financial statements.

7.1 Fair value of financial assets and financial liabilities continuously measured at fair value

The following table shows the financial instruments measured at fair value evaluated at three levels:

The Group and the Bank				
31 December 2015				
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets designated at fair value through profit or loss	–	11,872	–	11,872
Derivative financial assets	–	191	–	191
Available-for-sale financial assets	–	73,118	–	73,118
Financial liabilities				
Derivative financial liabilities	–	169	–	169

The Group and the Bank				
31 December 2014				
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets designated at fair value through profit or loss	–	9,066	–	9,066
Derivative financial assets	–	625	–	625
Available-for-sale financial assets	–	63,366	–	63,366
Financial liabilities				
Derivative financial liabilities	–	556	–	556

Fair value measurement of financial assets and financial liabilities of the Group neither shifted between Level 1 and Level 2 nor between Level 2 and Level 3 in the year and the previous year.

When the quotation is not available in the active market, the Group determines the fair value of financial assets and financial liabilities continuously measured at fair value by valuation techniques.

Valuation techniques used by the Group include cash flow discounting model for some derivative financial instruments whose quotation is not available in the active market (including FX forward, FX swap, interest rate swap, etc.) and the Black-Scholes option pricing model for valuation of option derivative instruments. Parameters used by the cash flow discounting model mainly include recent transaction prices, related yield curve, exchange rate, prepayment rate and credit spread of counterparties while those used by the Black-Scholes option pricing model are related yield curve, exchange rate and fluctuation level, etc.

The fair value of other financial instruments (including interbank market securities) is determined according to the general pricing model which is based on the future cash flow discounting method.

Except the financial assets and financial liabilities continuously measured at fair value, the Group held no financial instruments not continuously measured at fair value.

7.2 Financial assets and financial liabilities not measured at fair value

The table below shows the book value and fair value of financial assets and financial liabilities that are not presented by fair value in the consolidated statement of financial position. Financial assets and financial liabilities with similar book value and fair value are not included in the table below, including balances with central banks, due from and placements with banks and other financial institutions, financial assets under reverse repurchase agreements, borrowings from the central bank, due to banks and other financial institutions, placements from banks and other financial institutions, and financial assets under repurchase agreements, etc.

The Group				
Financial assets	31 December 2015		31 December 2014	
	Book value	Fair value	Book value	Fair value
Loans and advances to customers	1,041,937	1,045,429	916,105	916,751
Held-to-maturity investments	194,543	203,737	136,277	138,139
Account receivable held for investment	77,460	77,471	201,134	201,148
	1,313,940	1,326,637	1,253,516	1,256,038

The Group				
Financial liabilities	31 December 2015		31 December 2014	
	Book value	Fair value	Book value	Fair value
Due to customers	1,351,663	1,372,701	1,303,216	1,317,390
Debt obligations payable	66,893	67,686	23,839	24,216
	1,418,556	1,440,387	1,327,055	1,341,606

The Bank				
Financial assets	31 December 2015		31 December 2014	
	Book value	Fair value	Book value	Fair value
Loans and advances to customers	1,004,855	1,008,348	887,839	888,485
Held-to-maturity investments	194,543	203,737	136,277	138,139
Account receivable held for investment	77,460	77,471	201,134	201,148
	1,276,858	1,289,556	1,225,250	1,227,772

The Bank				
Financial liabilities	31 December 2015		31 December 2014	
	Book value	Fair value	Book value	Fair value
Due to customers	1,350,000	1,371,024	1,301,895	1,316,061
Debt obligations payable	66,893	67,686	23,839	24,216
	1,416,893	1,438,710	1,325,734	1,340,277

The table below lists the levels of fair value of financial assets and financial liabilities that are not presented at fair value on the balance sheet date:

The Group				
	31 December 2015			Total
	Level 1	Level 2	Level 3	
Financial assets				
Loans and advances to customers	–	–	1,045,429	1,045,429
Held-to-maturity investments	–	203,737	–	203,737
Account receivable held for investment	–	2,887	74,584	77,471
Financial liabilities				
Due to customers	–	1,372,701	–	1,372,701
Debt obligations payable	–	67,686	–	67,686

The Group				
31 December 2014				
	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and advances to customers	–	–	916,751	916,751
Held-to-maturity investments	–	138,139	–	138,139
Account receivable held for investment	–	3,240	197,908	201,148
Financial liabilities				
Due to customers	–	1,317,390	–	1,317,390
Debt obligations payable	–	24,216	–	24,216

The Bank				
31 December 2015				
	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and advances to customers	–	–	1,008,348	1,008,348
Held-to-maturity investments	–	203,737	–	203,737
Account receivable held for investment	–	2,887	74,584	77,471
Financial liabilities				
Due to customers	–	1,371,024	–	1,371,024
Debt obligations payable	–	67,686	–	67,686

The Bank				
31 December 2014				
	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and advances to customers	–	–	888,485	888,485
Held-to-maturity investments	–	138,139	–	138,139
Account receivable held for investment	–	3,240	197,908	201,148
Financial liabilities				
Due to customers	–	1,316,061	–	1,316,061
Debt obligations payable	–	24,216	–	24,216

As for the beneficiary right of loans and advances to customers and investments classified as receivables, its fair value will be determined based on the cash flow discounting model and the unobservable discounting rate which reflects credit risk of counterparties and is adjusted based on the liquidity profile. These financial instruments are classified into Level 3.

The fair value of other financial instruments is determined according to the general pricing model which is based on the future cash flow discounting method. These financial instruments are classified into Level 2.

XV. Other Significant Matter

1. Assets and liabilities measured at fair value

The Group and the Bank					
2015					
	Amount at year beginning	Gains and losses from changes in fair value in the year	Accumulated changes in fair value through equity	Impairment losses in the year	Amount at year end
Financial assets designated at fair value through profit or loss	9,066	112	–	–	11,872
Derivative financial assets	625	(434)	–	–	191
Available-for-sale financial assets	63,366	–	1,292	200	73,118
Total financial assets	73,057	(322)	1,292	200	85,181
Financial liabilities	556	387	–	–	169

The Group and the Bank					
2014					
	Amount at year beginning	Gains and losses from changes in fair value in the year	Accumulated changes in fair value through equity	Impairment losses in the year	Amount at year end
Financial assets designated at fair value through profit or loss	8,699	99	–	–	9,066
Derivative financial assets	531	94	–	–	625
Available-for-sale financial assets	65,134	–	81	–	63,366
Total financial assets	74,364	193	81	–	73,057
Financial liabilities	545	(11)	–	–	556

Note: There is not necessarily articulation in the changes in the asset and liability items listed in the table above.

2. Foreign-currency financial assets and financial liabilities

The Group and the Bank					
2015					
	Amount at year beginning	Gains and losses from changes in fair value in the year	Accumulated changes in fair value through equity	Impairment losses in the year	Amount at year end
Cash on hand and balances with central banks	20,581	–	–	–	18,822
Due from banks and other financial institutions	9,470	–	–	–	12,799
Financial assets designated at fair value through profit or loss	3	–	–	–	1
Derivative financial assets	623	(439)	–	–	184
Loans and advances to customers	31,426	–	–	149	25,568
Available-for-sale financial assets	1	–	–	–	–
Other financial assets	306	–	–	–	402
Total financial assets	62,410	(439)	–	149	57,776
Financial liabilities	44,267	391	–	–	39,721

The Group and the Bank					
2014					
	Amount at year beginning	Gains and losses from changes in fair value in the year	Accumulated changes in fair value through equity	Impairment losses in the year	Amount at year end
Cash on hand and balances with central banks	20,489	–	–	–	20,581
Due from banks and other financial institutions	8,118	–	–	–	9,470
Financial assets designated at fair value through profit or loss	5	1	–	–	3
Derivative financial assets	526	97	–	–	623
Loans and advances to customers	27,656	–	–	5	31,426
Available-for-sale financial assets	1	–	–	–	1
Account receivable held for investment	1,820	–	–	–	–
Other financial assets	185	–	–	–	306
Total financial assets	58,800	98	–	5	62,410
Financial liabilities	40,685	(11)	–	–	44,267

Note: There is not necessarily articulation in the changes in the asset and liability items listed in the table above.

XVI. Post balance sheet date events

Profit Distribution Plan

The Bank held a meeting of the Board of Directors on 15 April 2016, approving to distribute dividend of RMB3.63 (pre-tax) per 10 shares after setting aside statutory surplus reserve and general reserve. Calculated based on the shares issued by the Bank as at 31 December 2015, the total dividends distributed totaled about RMB3,879 million. The above profit distribution plan is subject to approval by the Bank's General Meeting of Shareholders. Before that, accounting treatment is not made to the proposed surplus reserve, general reserve and dividend distribution.

Financial bonds

As approved in the *Decision of PBOC on Granting the Administrative License* (Y.SH.CH.X.ZH.Y.Z. [2016] No.14) and the *Reply of CBRC on the Issuance of Financial Bonds by Hua Xia Bank* (Y.J.F. [2015] No.687), the Bank issued the 2016 Financial Bonds of Hua Xia Bank Co., Limited on the interbank market from 3 March 2016 to 7 March 2016 with issuance amount of RMB40 billion.

Preference shares

As approved in the *Reply of CBRC on the Non-public Issuance of Preference Shares and the Modification of the Articles of Association by Hua Xia Bank* (Y.J.F. [2015] No.427) and the *Reply on Approving the Non-public Issuance of Preference Shares by Hua Xia Bank Co., Limited* (ZH.J.X.K. [2016] No.342), the Bank issued 200 million preference shares in a non-public manner to 12 qualified investors in March 2016, with a face value of RMB100 per share and the total proceeds raised therefrom of RMB20,000,000,000. Payment of the proceeds has been specially verified by Deloitte Touche Tohmatsu Certified Public Accountants LLP (special general partnership), with the Capital Verification Report (D.SH.B.(Y).Z. (16) No. 0166) and the Capital Verification Report (D.SH.B.(Y).Z. (16) No. 0167).

Taxes

On 23 March 2016, the Ministry of Finance and the State Administration of Taxation jointly released the Notice on Expanding the Pilot Program of Replacing Business Tax with VAT (C.SH. [2016] No.36), requiring that the pilot program should be implemented across the board and across the country from 1 May 2016. All business taxpayers of construction, real estate, finance, life services and other sectors are included to the pilot scope, thus paying VAT instead of business tax.

The tax payable computed by the general tax computation method is the balance after deducting the input tax for the current period from the output tax for the current period, that is, the balance of the VAT amount computed based on the sales amount taxable and VAT rate (output VAT amount) deducting VAT amount paid or borne by the taxpayer arising from purchasing goods, processing, repair and replacement labor service, services, intangible assets or real estate (input VAT amount).

Since 1 May 2016, the Bank and rural bank subsidiaries have replaced the business tax with VAT, with VAT rate of 6% for financial services provided.

XVII. Comparative Data

Certain comparative data have been reclassified to be consistent with this year's presentation of financial statements.

XVIII. Approval of the Financial Statements

The financial statements were approved by the Board of Directors of the Bank on 15 April 2016.

Unaudited supplementary information

1. Detail list of extraordinary profit or loss

The table below is prepared in accordance with the *SIC No.1 on Information Disclosure of the Companies with Public Offering – Extraordinary Profit or Loss (2008)* issued by CSRC.

	2015	2014
(Profit)/loss from the disposal of fixed assets	32	(8)
Other net operating income and expenses	239	120
Income tax influence of extraordinary profit or loss	(76)	(38)
Less: Extraordinary profit or loss attributable to minority shareholders	(4)	(5)
Total extraordinary profit or loss attributable to ordinary shareholders of the parent company	191	69

Extraordinary profit or loss refers to the profit or loss resulting from transactions and events that have no direct relation with normal operation of the Group or that although have direct relation with normal operation of the Group, they may affect the financial statements users' normal judgment on the Group's operating results and profitability due to their special and accidental nature.

2. Return on equity and earnings per share

The table below is prepared in accordance with the *Rules for the Compilation and Submission of information Disclosure by Companies that Offer Securities to the Public No. 9 – Calculation and Disclosure of Return on Equity and Earnings Per Share (Revision 2010)* issued by CSRC. During relevant periods, basic earnings per share will be calculated by dividing the current net profit with the weighted average ordinary shares issued.

	2015	2014
Net profit attributable to ordinary shareholders of the parent company	18,883	17,981
Weighted average return on equity (%)	17.18	19.31
Basic earnings per share (RMB yuan/share)	1.77	1.68
Net profit attributable to ordinary shareholders of the parent company after deduction of extraordinary profit or loss	18,692	17,912
Weighted average return on equity (%)	17.01	19.24
Basic earnings per share (RMB yuan/share)	1.75	1.68

The Group has no potential diluted ordinary share.

According to the resolutions of the General Meeting of Shareholders of the Bank held on 12 May 2015 and the *Announcement on Implementing the Plan for 2014 Profit Distribution and Conversion of Capital Reserve to Share Capital of Hua Xia Bank Co., Limited* released on 2 July 2015, the Bank converted the capital reserve into capital share at a ratio of 2 for 10 shares on the basis of 8,904,643,509 shares on 31 December 2014, and the registered capital was increased by RMB1,780,928,702. After the conversion, the registered capital was RMB10,685,572,211 and the total share capital was 10,685,572,211 shares. According to relevant requirements, the Bank recalculated the weighted average ordinary shares in issue and earnings per share of the comparable periods based on the number of shares after the conversion.



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